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FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY MAY 19 1993

D8523A

Trial of 12 Soviet coup leaders set to collapse

The trial of 12 leaders of the attempted Soviet coup in August 1991 seemed set to disintegrate after a judge ordered the dismissal of the prosecuting team for prejudging the outcome by publishing a book about the defendants. Page 20

US rift with allies over Bosnia The gulf between the US and its major allies on Bosnia was underlined when Warren Christopher, the US secretary of state, said Washington considered it impossible to implement the Vance-Owen peace plan for Bosnia "at the present time". Page 20

Steinkühler urged to quit German politicians and trade union members called for the resignation of Franz Steinkühler, leader of the IG Metall engineering workers' union, from board memberships for alleged insider dealing in shares in a Daimler-Benz holding company. Page 20; Editorial Comment, Page 19

Sicilian Mafia boss arrested Italian security forces arrested Nitto Santapaola, the most wanted member of Cosa Nostra, the umbrella organisation of the Sicilian Mafia. Page 20

Foster's expands into China A subsidiary of Foster's, the Australian brewer, announced a \$512m (\$85.7m) joint venture with Huguang Brewery in Shanghai, as it expands into China, the fastest growing beer market. Page 20

British Airways launched a \$442m rights issue after a drop in profits and doubling in debt. Annual pre-tax profits, calculated according to new rules, fell 57 per cent to £185m (\$284.9m), while borrowings rose to £2.45bn. Page 21; Lex, Page 20

Gold price hits 25-month high The gold market frothed up again and in late trading the dollar price in London broke through another psychological barrier to close at \$370.25 a troy ounce, the highest for 23 months. Traders suggested the price was driven up by the momentum of options activity which created great volatility at key prices. Page 36

Slow train After France's president François Mitterrand mocked Britain for not building a high-speed rail link to the Channel tunnel in time for next year's opening. Page 2

Japan trade surplus up 44% Japan's trade surplus last month rose 44 per cent year on year to \$10.25bn as the yen's appreciation led to a sharp increase in the dollar value of exports, while imports remained weak. Page 6

Westinghouse Electric of the US has finalised two contracts, worth a total of up to \$400m to supply technology, equipment and services to the partially completed Temelin nuclear power station in the Czech Republic. Page 8

Saarstahl, the iron-making German steel group controlled by Usinor-Sacilor of France, filed for bankruptcy after deciding it could no longer sustain heavy losses running at DM93m (\$18.6m) a month. Page 11

Volvo, the Swedish vehicle group, saw weak markets and higher interest payments lead to an increased loss after financial items of SKr931m (\$45m) in the first quarter, compared with a SKr248m loss in the same 1992 quarter. Page 21

Cambodia factions criticised by UN The United Nations Transitional Authority in Cambodia criticised factions for not co-operating with UN peacekeepers and warned them not to disrupt next week's election. Page 7

Norway whaling quotas Oslo announced a quota of 296 minke whales this year in defiance of an international eight-year ban, but Japan said it would abide by current rules. Page 2

Honda, the Japanese car manufacturer, announced a 32 per cent fall in pre-tax profits and warned that results for this year were also likely to show a significant drop. Page 21

Food share prices fall on BSN Share prices of leading European food companies fell after BSN, France's largest food manufacturer, said it would cut prices to defend market share. Page 21

Daiwa, Japan's second-largest securities house, posted its first loss since 1994 as the country's leading brokers reported weak earnings. But the houses said the three-year collapse of Tokyo stock prices was over. Page 21

STOCK MARKET INDICES

FT-SE 100	2847.3	(-10.8)
Yield	4.0	
FT-SE Eurotrack 100	1182.98	(+0.91)
FT-A All-Share	1463.74	(-0.24)
New York headline	2922.38	(-58.12)
Dow Jones Ind Ave	3437.19	(-12.74)
S&P Composite	440.21	(-0.16)

US LUNCHTIME RATES

Federal Funds	3%
3-mo Treas Bill	3.05%
Long Bond	10 1/2
Yield	6.93%

LONDON MONEY

3-mo Interbank	6 1/4	(same)
Life long gilt future	Jun 1993	103 1/2

NORTH SEA OIL (Argus)

Brent 15-day (July)	\$18.35	(18.35)
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Gold

New York Comex (Jun)	\$376.0	(388.0)
London	\$370.25	(368.2)

STERLING

New York headline	\$ 1.53175	
London	\$ 1.5315	(1.533)
DM	2.4675	(2.4775)
FF	8.3925	(8.34)
SFR	2.285	(2.2525)
Y	170.75	(same)
2 Index	90.2	(90.0)

DOLLAR

New York headline	DM 1.8235
DM	1.8235
FF	5.482
SFR	1.4775
Y	111.545

German government bond prices also fell yesterday, to the benefit of Italian and French bonds. In European trading, the pound closed a penny higher against the D-Mark at DM12.4875. The lire finished at L809.2 against the D-Mark, up from a previous close of L814.5.

The dollar gained significantly from the D-Mark's weakness, rising more than a penny to peak at DM16.272 in Europe. It later closed in London at DM16.240.

Currencies, Page 44

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Chile

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Denmark votes Yes to Maastricht

By Hugh Carnegie and Hilary Barnes in Copenhagen and David Gardner in Brussels

DENMARK delivered a decisive vote in favour of the Maastricht treaty on European union last night, according to computer predictions and exit polls broadcast on Danish television.

The result came as a huge relief to European Community leaders as well as to the Danish government. Last June's initial rejection of the treaty by Danish voters threw the EC strategy for closer economic and political union into serious doubt.

Computer forecasts of the final result, based on 46.7 per cent of votes counted, showed a win for the Yes campaign by 58.3 per cent to 41.7 per cent, overturning the narrow Danish rejection last June. Yesterday, turnout was estimated at 85 per cent, exceeding last year's 83 per cent.

The prediction was in line with exit surveys by Gallup published as polls closed, which forecast a 57 per cent to 43 per cent victory for the Yes camp.

Mr Poul Nyrup Rasmussen, the prime minister, claimed victory shortly after the first computer predictions were broadcast. "I am happy that it is such a clear result... it is a very important Yes," he said.

Mr Niels Helveg Petersen, foreign minister, proclaimed: "This is good for Denmark and it is good for Europe." Looking forward to the EC summit in Copenhagen next month, which Denmark will chair as current president of the Community, Mr Helveg Petersen said: "Denmark can speak with greater authority."

Ms Drude Dahlerup, spokes-

PAGE 4
■ Key to unlock community
■ Anti-EC sentiment grows

woman of the anti-treaty June Movement, conceded defeat shortly after the first exit polls, saying: "It's clearly a disappointment. It's a historical decision going the wrong way." But she said the size of the No vote showed that "the people are still divided and parliamentarians must listen to all those people who voted against the treaty."

Mr Jacques Delors, the European Commission president, said last night: "This vote can also give a stimulus to the Community in order to leave behind a period of morosity and inaction, while our continent is shaken by tragic violence, while it faces many internal problems, especially economic stagnation and rising unemployment. For all these reasons, Europe needs a new impulse."

Sir Leon Brittan, EC commissioner for external economic affairs, said: "The Danes have decided after long and detailed analysis that, far from forcing them down the road of an over-centralised and bureaucratic union, the Maastricht treaty will strengthen the ties between European nations without threatening their identity."

The Danish government is expected to unveil today a package of economic measures to expand domestic demand and reform the income tax system which it was holding back until sure of a Yes vote.

France, which last June had



Danish prime minister Poul Nyrup Rasmussen talks to journalists after casting his vote in the referendum on the Maastricht treaty

initially urged EC partners to brush aside Denmark's rejection of Maastricht, last night welcomed yesterday's vote. The foreign ministry, with an eye to British ratification, said it was most important to implement Maastricht as soon as possible.

The Edinburgh EC summit last December granted Denmark opt-outs from the treaty's provisions on a unified currency, defence

policy, community-wide legal and police co-operation and union citizenship. The Edinburgh agreement was backed by more than 90 per cent of the Folketing, the Danish parliament. But opponents argued it was a meaningless excuse to hold a second poll on the treaty, which itself has not been changed.

Officials from Norway and Austria, which along with Sweden

and Finland are currently negotiating entry to the EC, were relieved by yesterday's result and hopeful that the change of heart among Danish voters would boost waning Euro-enthusiasm in their own countries.

Mr Henning Christopherson, the Danish commissioner in charge of economic affairs, stressed the need to get on with the second stage of economic and

monetary union, due to start next year.

He insisted that Emu and a single currency was still a viable goal by its earliest date in 1997. "I still believe that a majority of the member states could meet the [fiscal] and monetary convergence criteria," Mr Christopherson said. "A lot can be done within the next three to four years," he added.

Now the real debate on European union begins

By Lionel Barber in Brussels

DENMARK'S decisive Yes to Maastricht will cause the political establishments across Europe to breathe a sigh of relief, ending a period in which the European Community has been in suspended animation.

In the UK, the result should tip the scales decisively in favour of Mr John Major as he pushes the Maastricht bill through its final stages in the UK parliament. Barring an upset in the British or German courts, ratification seems secure.

Yet the Danish Yes is unlikely

to end the crisis of legitimacy surrounding the treaty. When EC leaders signed Maastricht in December 1991, they hailed it as point of departure for European political and monetary union; but even the latest Commission polls show public support for European integration is tumbling.

The Danish endorsement does not amount to a true test of public support for European union. The version of Maastricht which Danes approved yesterday contains legally binding opt-outs on core elements of the treaty, including the single European currency, European citizenship

and defence policy. A senior European Commission official declares the treaty will have no obvious impact on the fundamental problems facing the EC such as rising unemployment, low investment, public spending crises in almost all the member states and monetary instability.

The Danish Yes should free the Commission and member-states to focus on the Community's pressing challenges: enlargement negotiations with Austria, Finland, Norway, and Sweden; the political and economic integration of the former communist countries of Eastern Europe; and

the issue of European competitiveness in relation to the US and Asia, itself the subject of an in-depth study ordered by Mr Jacques Delors, president of the European Commission.

A senior EC official listed several "tests" for the Community in the coming months: making the single market work, including the removal of lingering restrictions on the free movement of EC citizens; concluding the Uruguay Round in the Gatt trade talks; and ensuring stability inside the European exchange rate mechanism so as to maintain the credibility of the EC to monetary

union by 1999 at the latest. Paradoxically, the Danish Yes may reignite the debate on European union.

The run-up to European Parliament elections next year is an obvious launch-pad; so too the sense among the European federalists that they no longer need worry about frightening the minimalist Danes or the British as they edge toward ratification.

Belgium, which takes over the EC presidency from Denmark on July 1, is in the lead.

Last weekend, Mr Philippe Maystadt, Belgian foreign minister, came out in favour of

watering down the strict Maastricht "convergence" criteria for monetary union - a move which would allow an inner core of EC member states to move forward to fixed exchange rates but which would alarm the Bundesbank, which has insisted that Maastricht must be respected to the letter.

All this may simply be letting off steam; but it may also suggest that the debate on the future course of the EC may be about to begin. For if Euro-sceptics and Euro-enthusiasts agree on anything, it is that Maastricht settled nothing.

D-Mark hit as quieter ERM looms

By James Biltz in London

THE PROSPECT of a Danish Yes vote weakened the D-Mark yesterday, as international investors concluded that such a result would significantly ease tensions in the European exchange rate mechanism.

Several European currencies, including sterling and the lira, enjoyed strong rises against the D-Mark on the prospects that Denmark's ratification of Maastricht would lead to a period of calm in Europe's fixed exchange rate system.

This reversed a trend of recent weeks in which investors, fearful of another Danish No, sought a safe haven against a renewed threat to European economic and monetary union by buying D-Marks and Swiss francs.

German government bond prices also fell yesterday, to the benefit of Italian and French bonds. In European trading, the pound closed a penny higher against the D-Mark at DM12.4875. The lire finished at L809.2 against the D-Mark, up from a previous close of L814.5.

The dollar gained significantly from the D-Mark's weakness, rising more than a penny to peak at DM16.272 in Europe. It later closed in London at DM16.240.

Currencies, Page 44

Major will aim to complete British ratification by July

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR last night seized on Denmark's endorsement of Maastricht to signal that Britain would now press ahead quickly with ratification of a treaty which has come close to splitting the Conservative party.

The UK prime minister, who has seen his government's authority drained by the bitter struggle over the treaty, voiced hope that his Conservative party would now put its differences behind it. Ministers said the government now hoped to complete the tortuous and bitter ratification process before the summer parliamentary recess at the end of July.

Speaking to businessmen last night, Mr Major said that the ending of the uncertainty surrounding Maastricht would provide a boost to economic recovery in Britain and in Europe. The Community could now go forward as 12 into the next intergovernmental conference in 1996.

But while his party's European "sceptics" acknowledged that the Danish result had severely dented their hopes of wrecking the agreement, they vowed to continue to fight British ratification in the House of Lords and in

the courts. The Maastricht bill will complete its passage through the House of Commons tomorrow. Despite the threat of a rebellion by 40 or more Conservative Euro-sceptics the bill's passage to the House of Lords is guaranteed because of the Labour party's decision to abstain on the crucial third reading vote.

Lady Thatcher, the former prime minister, and Lord Tebbit, a former cabinet member and Conservative party chairman, will lead another rebellion against the bill in the Lords, but Mr Major is confident they will be unsuccessful. He also expects to defeat a legal challenge from the Conservative Euro-sceptics over Britain's opt-out from the social chapter.

Senior ministers were acknowledging last night, however, that the wounds in the Tory party by the bitter struggle over the treaty will take years to heal.

The government has already been warned by its supporters that any move to take sterling back into the European exchange rate mechanism - as required under the Maastricht treaty - would trigger an even bigger revolt among its supporters.

Better inflation outlook, Page 10

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Page 32



British banking
Making money from
the rich and the poor
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Alcan's experience
with productivity
Page 9

FINANCIAL TIMES

Europe's Business Newspaper

MONDAY MAY 24 1993

Bosnia president attacks peace plan as 'carve-up'

Alija Izetbegovic, Bosnia's Muslim president, attacked the international community's plan to split his country into three states to prevent future territorial gains by Serbs, saying the nation had been abandoned to a carve-up. He pledged to use all means to defend the country's sovereignty. Bosnian Serb leader Radovan Karadzic welcomed the plan as the recognition of Serb victory. Page 14; Stop-gap agreement, Page 3; Editorial Comment, Page 13

BCCI charges near: The Abu Dhabi government, majority shareholder of the collapsed Bank of Credit and Commerce International, is close to bringing charges against individuals from the bank who it believes defrauded it of \$2.2bn. Page 14; Wembley fixture for creditors, Page 8

European Monetary System: The D-Mark came under pressure and, although still third from bottom in the system, is now only 1/2 percent above the French franc, the weakest ERM currency. Expectations of a further interest rate cut in the Netherlands were raised after the Dutch central bank allowed the spread between the guilder and the D-Mark to widen to 50 basis points at the end of last week. The bank has an informal commitment to keep its currency within 1/2 percentage point either side of the German currency. Currencies, Page 27

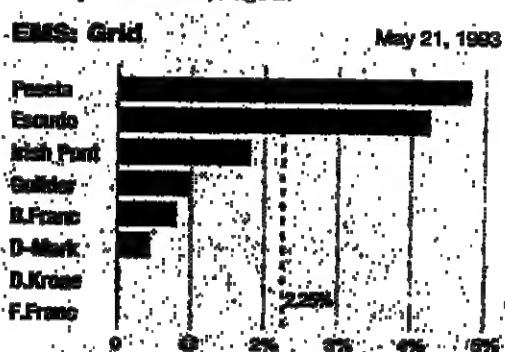


chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Italian scandal widens: Italy's political corruption scandal widened to include the small Republican party with the arrest of Luigi Montella, managing director of the state-controlled Sirti telecommunications group. Page 3

China acts on inflation: Fear of a resurgence of inflation has prompted China's central bank to tighten credit restrictions. Page 14; Hong Kong offers third airport funds plan, Page 4; Unique path towards the free market, Page 15

German steel strike ends: Eastern Germany's three-week steel strike is expected to end tomorrow following a weekend agreement between employers and IG Metall, Germany's powerful metalworkers' union. Page 3

Belgium offers Euro-forces: The Belgian government, which takes over the EC presidency from the Danes in six weeks, is ready to contribute military forces to the "Euro-corps" being set up by France and Germany. Page 2; Where federalism isn't a dirty word, Page 12

Texas endorses UK chip: Texas Instruments, the world's sixth-largest semiconductor maker, is to manufacture and market a UK-designed microprocessor chip for use in cars and portable telephones - a move which could give Europe its first significant success in microprocessors. Page 15

UK rail fares move: The UK government, fighting to avoid defeat over its bill to privatise Britain's railways, may agree safeguards for concessionary fares. Page 8; Editorial Comment, Page 13

Banesto to seek New York listing: Spanish commercial bank Banesto is to seek a listing on the New York stock exchange after it has raised Ptas130bn (\$1.04bn) in new capital. Page 17

US plan for S African aid: Secretary of state Warren Christopher said the US would work with other leading industrialised nations to help South Africa "re-enter the global economy" once a transitional executive council was in place and a date for multiracial elections was set. Page 6

Mexico's deficits: Mexico reported a trade deficit of \$3.64bn in the first quarter, up 7.9 per cent on 1992. The rise is smaller than previous years after a slowdown in import growth. Page 6

Terrorism warnings: Moves to increase the cost of terrorism insurance in the UK after last month's bomb in London's business district could leave many companies unprotected from the IRA, say insurers. Page 8

UK chancellor may get UK government: Ministers raised the possibility that prime minister John Major may be preparing to replace his chancellor, Norman Lamont, as early as next week. Page 14

BTR plans bottling move: Industrial holding company BTR is expected to announce a \$100m investment in mainland China's bottling industry via its Australian subsidiary, BTR Nylex. Page 15

Senna wins at Monaco: Brazilian Ayrton Senna won the Monaco grand prix with Briton Damon Hill second and France's Jean Alesi third.

Ministers renew support for exchange rate mechanism despite crisis Call for EMS warning system

By Lionel Barber in Kolding

EUROPEAN Community finance ministers yesterday backed a call by central bank governors for the creation of an "early warning system" to avoid a repetition of last September's crisis in the European exchange rate mechanism.

The idea is to tighten surveillance of exchange rates and strengthen the consensus among members in favour of timely realignments. It came at an informal meeting in Kolding, Denmark, at the weekend which ended with a ringing endorsement of the European Monetary System.

The UK found no support for its argument that the EMS's exchange rate mechanism contains "fault-lines" which were responsible for the forced exit of

sterling and the Italian lira last September.

Mr Norman Lamont, UK chancellor of the exchequer, said in Kolding it would be "two, three years, and possibly even longer" before the UK re-entered the ERM, mainly because of the distorting effects on interest rates of German unification. A senior Italian official suggested that the lira would re-enter the ERM after electoral reform was in place and a new government came to power.

At the meeting, Mr Lamont repeated a call for lower interest rates in Europe and criticised Germany for its tight monetary policy. "There are growing fears about the direction of policy in Europe. We are heading for a recession," he said.

Mr Jacques Delors, president of the European Commission,

- Governors back flexibility
- Study spreads blame Page 2
- Where federalism is not a dirty word Page 12

agreed that interest rates were "unnecessarily high". But he appeared satisfied after EC finance ministers gave him a mandate for putting the debate on growth and employment at the top of the EC summit in Copenhagen next month.

Two reports on the EMS - one by the committee of central bank governors and one by the EC's monetary committee, which comprises central bankers and senior national treasury officials - both concluded that the system was fundamentally sound.

The reports both seek to reaffirm collective discipline, noting

that in last year's crisis individual member states failed to take the initiative to defend their currencies or take part in a realignment.

The reports blame the crisis on significant economic divergence between member states, a development exacerbated by the shock of German unification which led to an "unbalanced mix" between German monetary and fiscal policy.

However, they make clear that member states failed to heed fundamental economic indicators and take the initiative in realigning their currencies. A central recommendation is, therefore, to create new, confidential procedures to make a persuasive case that a central rate is out of line.

The central bank governors offered to play a role in this surveillance exercise, but the EC

monetary committee also put itself forward. It suggested creating a set of confidential economic indicators, primarily on external competitiveness, which member states could then use to put the case for a change in central rates.

These recommendations highlight the future role of the European Monetary Institute - the precursor of a European central bank - which will be set up after ratification of the Maastricht treaty. The Institute will have powers to scrutinise member states' economic performance, even those outside the ERM. This applies at present to the UK and Italy.

During the meeting, ministers agreed that there was no need to weaken the "convergence criteria" for European monetary union laid down in the Maastricht treaty.

UN supervisors jubilant at voter enthusiasm in fairest election for 40 years

Cambodians defy Khmer Rouge threat to polls

By Victor Mallet in Phnom Penh

HUNDREDS of thousands of Cambodians, guarded by United Nations troops, flocked to polling stations yesterday in the country's freest and fairest election since independence from France 40 years ago.

Voters braved the threat of attack by Khmer Rouge guerrillas, who have vowed to disrupt the polls, and were undeterred by torrential rain at the start of the monsoon season.

In spite of at least three violent incidents, officials of the UN Transitional Authority in Cambodia (Untac) were jubilant about the electorate's enthusiasm and estimated that at least a third of the 4.8m registered voters went to the polls yesterday.

The voting, which continues until Friday, is the culmination of a \$2bn UN operation to bring peace and democracy to Cambodia following an accord signed by the four main Cambodian factions in Paris in 1991.

Cambodians will elect a 120-member assembly, which should draft a new constitution within three months and then give birth to a new government.

The extreme leftwing Khmer Rouge was one of four parties to sign the Paris peace agreement, but it later reneged on the deal, refused to disarm its guerrillas and threatened to disrupt the election.

"I would say the Khmer Rouge have failed today," said Mr Charles Twining, chief of the US mission in Cambodia. "That simply leaves the Khmer Rouge in the forest."

Mr Yasushi Akashi, Untac chief, said the turnout was "very, very gratifying", although he acknowledged that a fifth of Cambodian territory was inaccessible to Untac and the election process because of Khmer Rouge threats.

The two main contenders in the election are the present communist administration - installed by Vietnam when it invaded and overthrew the brutal Khmer Rouge regime in 1979 - and Funcinpec, the royalist party which joined the Khmer Rouge in an uneasy alliance against the Vietnamese occupation until the 1991 peace agreement.

A grim-faced Mr Chea Sim, leader of the governing Cambodian People's party, was greeted with silence when he arrived to vote at a sports stadium in the centre of Phnom Penh. But the crowd cheered when Prince Norodom Ranariddh, the Funcinpec leader, arrived at the same polling station.

Prince Ranariddh, a politics lecturer at Aix-en-Provence, repeated his promise to hand over power to his father Prince Sihanouk so as to unite Cambodia in the event of a Funcinpec victory.



Prince Norodom Ranariddh (centre), leader of the royalist Funcinpec party and son of Prince Sihanouk, leaves a Phnom Penh polling station surrounded by bodyguards and journalists after voting yesterday

"I think my father will be able to talk to the Khmer Rouge and make them reasonable," he said. "They should not feel excluded from the national community."

In the southern province of Kampot about 100 Khmer Rouge

Continued on Page 14
From dictators to democracy, Page 4

VW row with GM threatens to develop into court battle

By Christopher Parkes in Frankfurt

THE CLASH between Volkswagen and General Motors, two of the world's leading volume carmakers, threatened to develop into an open court battle after a new outbreak of hostilities at the weekend.

Mr José Ignacio Lopez de Arriortua, VW's production and purchasing director, is to issue a complaint against General Motors, his former employer, to counter legal moves made by the US group against him.

Mr Lopez's professional reputation had been so damaged that he wanted to defend himself legally, a VW spokesman said.

His move followed GM's announcement on Friday that it had filed a legal complaint in Germany against Mr Lopez "for what we believe is the taking of confidential documents".

Officials from the public prosecutor's office in Darmstadt near

Frankfurt are expected to question Mr Lopez, his colleagues and representatives of the US concern to find if there are grounds for further action.

The renewed eruption follows successful legal action last month by Adam Opel, GM's German subsidiary, in which it won an injunction preventing VW from poaching its employees. Opel had alleged that some 40 German personnel had been approached by Mr Lopez or his associates.

Mr Lopez, formerly head of GM's global purchasing, with a formidable reputation for cost-cutting, was lured to VW in March by Mr Ferdinand Piëch, VW's new head, who recently announced a DM1.35bn (\$77m) loss for the first quarter.

Although VW said that the group had "absolutely no" GM documents, Mr David Herman, managing director of Adam Opel, said responses from Mr Lopez to a series of requests for as-

urances that he had not taken confidential information had not been "satisfactory".

The news magazine Der Spiegel added to the controversy on Saturday with allegations that Mr Lopez had thousands of documents, including parts purchasing lists and details of all Opel's engine and model plans for the next 10 years. VW dismissed the claims as "untenable and unbelievable".

According to Mr Herman, setting the issue was "of the utmost importance for the future competitiveness of Opel and GM".

His position in GM would have given Mr Lopez, who was recently joined in Germany by six close associates from Detroit, access to a wide range of sensitive information.

He was also involved in a long-term project to build a new cheap car using revolutionary modular construction methods aimed at halving manufacturing time to 10 or 12 hours a vehicle.

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Denmark	Dkr20	Hungary	Hfor	Morocco	MA100	Slovenia	Sfor	Sweden	Skr100
France	Ffr100	Ireland	Ir£100	Netherl	fl100	Switzerland	Sfr100	Turkey	Liras100
Italy	Lira1000	Israel	IL100	Norway	Nkr100	UK	£100	Yugoslavia	Din100
Japan	Yen100	Lebanon	L£100	Poland	PL100				
Korea	Won100	Lithuania	Lt£100	Romania	Lei100				
Spain	Ptas166	Latvia	Ls100	Saudi Arabia	Sr100				
Sweden	Skr100	Belarus	Br100	Singapore	S\$100				
Switzerland	Sfr100	Armenia	Ar100	Taiwan	N\$100				
Turkey	Liras100	Azerbaijan	Az100	Thailand	Baht100				
UK	£100	Bosnia	Bos100	Vietnam	Dong100				
USA	\$100	Herzegovina	Her100	Yemen	Yr100				
		Montenegro	Mon100	Zimbabwe	Z\$100				

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Belgium keen to contribute to Euro-corps

By David Gardner and Andrew Hill in Brussels

BELGIUM is poised to contribute military forces to the Euro-corps being set up by France and Germany, which it sees as a vital building block in constructing a common European foreign and defence identity.

The Belgian government, which takes over the EC presidency from the Danes in six weeks, is expected to give renewed impetus to European integration after a year dominated by the crisis over the ratification of the Maastricht treaty.

But Mr Willy Claes, Belgium's foreign minister, this weekend dismissed recent speculation that the Belgian presidency would push for an early reform of EC decision-making to make it more federal and supranational.

Mr Claes said France, Germany and Belgium had now agreed that the Euro-corps, expected to number around 40,000 by 1995, should be under Nato command and be part of the Western European Union, while its command would rotate between its members.

Mr Claes said he hoped European military co-operation could be pulled together by 1996, when the Community is due to hold its next review of Europe's integration. According to Maastricht, ratification of which was unblocked last week by approval in the Danish referendum and the UK House of Commons, 1996 is also the date at which reform

of EC decision-making will be examined.

More streamlined decision-making, implying less room for national vetoes, is seen as the inevitable consequence of the EC taking in new members.

Despite speculation that Belgium will insist on institutional reform talks now, Mr Claes said it would be "logical, democratic and fair play" to wait until the new members were in. Sweden, Austria, Finland and Norway are all negotiating entry by 1995. But he added that the goal of the Community "is not an economic one but a political one. We need an open debate and a sincere debate in Scandinavia and in Austria on this target."

He said the Belgian presidency's "very pragmatic" priorities would be to develop the common foreign and security policy and EC co-operation on emigration and asylum foreseen by Maastricht; to accelerate the enlargement negotiations; "a serious effort" to combat recession and unemployment; and preparing the second stage of economic and monetary union, due to start in January.

Mr Claes insisted that recent remarks by his colleague, finance minister Mr Philippe Maystadt, that Emu's tight fiscal convergence criteria might have to be reviewed, "have been exaggerated".

"What Maystadt said was that if the recession drags on, the figures [which set limits on budget deficits and public debt], not the criteria, may have to be reviewed," he said.

European industrial output 'to fall 3.9%'

By Daniel Green

EUROPEAN industrial output will fall by 3.9 per cent this year as a mood of pessimism sweeps the continent's big four economies, according to a report published today.

The production decline in Germany, France and Italy will be even sharper than the average as UK output will rise, says a review from DRI-McGraw Hill, a forecasting company. Even when growth returns it will average only 2.1 per cent over the next five years, compared with 3.6 per cent in 1986-1990.

Some sectors will do well. Communications services will grow 4.7 per cent a year, with financial services and pharmaceuticals on 3.9 and 3.7 per cent respectively.

But caution and tough competition in world markets means that "many investment decisions have either been postponed or cancelled, seriously affecting the level of demand for capital goods".

A slowdown in construction will stifle growth in metals, cement, glass and ceramics.

Meanwhile, overcapacity will see iron and steel output growing by just 0.8 per cent a year over the next five years.

DRI-McGraw Hill cut its forecast for growth in sectors where Europe excels, such as electrical equipment for industry and mechanical engineering. Their annual growth projection over the next five years is 2.1 per cent, against a forecast a year ago of 3.8 per cent. Aerospace equipment is also expected to decline.

EC monetary committee believes EMS is fundamentally sound

Currency crisis study spreads blame

By Lionel Barber in Kolding, Denmark

EUROPEAN Community member states must rediscover a consensus on the conduct of economic policy if the European monetary system is to return to long-term stability, according to a report by the EC monetary committee on last year's exchange rate crisis.

The report, considered at an informal meeting of EC finance ministers in Kolding, Denmark, at the weekend, spreads the blame for the crisis, which saw the pound and the lira ejected from the European exchange rate mechanism, and successive devaluations of the Spanish peseta, the Portuguese escudo and the Irish punt.

In a 12-page analysis of the crisis, the report concludes that there is nothing fundamentally wrong with the EMS - but the members must play by the rules.

Germany is criticised for financing German unification through borrowing - a choice which led inevitably to a tight monetary policy and an "unbalanced" policy mix, with repercussions for the rest of Europe.

The UK is criticised implicitly for failing to raise interest rates at an early date and in a decisive manner.

Italy's devaluation is blamed on a failure to get a grip on the government deficit, while Spain saw a significant and cumulative deterioration in its competitive position which undermined the credibility of the peseta rate in the ERM.

A key recommendation is that the EMS should adapt its internal rules so that member states can take the initiative to



Jacques Delors, European Commission president, and Marianne Jelved, Danish finance minister, at the Kolding meeting

encourage a currency realignment.

The report states that existing EMS procedures leave the initiative to the member state whose currency is under attack - a situation which clearly proved unsatisfactory during last autumn's exchange rate crisis.

The call for new procedures mirrors a central theme in the report: that the onus is on the targeted member state to take appropriate action to defend its currency using available instruments, such as interest rates.

The report also implicitly limits the obligation of central banks to support individual

currencies, even when a currency comes under speculative attack in spite of sound economic fundamentals.

"The other member states will determine to what extent and how they can support these efforts through appropriate voluntary actions," the report says.

This statement appears to dilute the obligations of central banks as set out in the 1987 Basle-Nyborg agreement. Here there is at least a presumption in favour of member states whose currencies are targeted without obvious justification.

The report comes down firmly against automatic rescue operations by the central banks, declaring that large and prolonged intervention "may even have a destabilising effect and they can thwart monetary policy in creditor countries".

A central recommendation in the report is the need for frank communication between member states on exchange rate matters and the possible need for a realignment - a recognition of the communications breakdown last autumn which

ended in Black Wednesday with the forced exit of the pound and lira from the ERM.

The monetary committee would like to create a confidential set of indicators to ensure that misalignments in exchange rates are detected as early as possible.

"They would not be thought of as 'warning lights' and they would certainly not dictate the outcome of the investigation. They should include, primarily, measures of external competitiveness," says the report.

The next step would be to change EMS procedures so that member states could take the initiative. "In future, they should provide for the situation in which other member states consider that a central rate is out of line. In these cases, there is a need for confidential procedures."

In a separate passage, the committee also calls for "plain speaking", a "confrontation on policy issues" and a critical probing of forecasts and policy intentions - a clear admission that the run-up to last year's exchange rate crisis was

marked by a breakdown in communication among the member states and, by implication, within the monetary committee itself.

The monetary committee stresses that stability in the EMS depends on the credibility of economic policies in all member states. Although strengthening the process of "convergence" on economic performance is essential for the stability of the EMS, it "may not be enough unless accompanied by an improved co-ordination of economic policies and a continued commitment to defend the system as a common good".

The report serves notice that re-entry into the ERM can only occur after "careful preparation" and "by mutual agreement, with regard to the time and the conditions".

In particular, it says that central rates should be reached "in a common procedure". This marks a break with the past when the UK chose to enter the ERM in 1980 at a rate of DM2.55 without previous consultation with its EC partners.

Bank governors back more ERM flexibility

By Lionel Barber

THE European exchange rate mechanism needs to be more flexible and central parties must be accompanied by credible national economic policies, according to a report by the committee of EC central bank governors on last autumn's exchange rate crisis.

The central bankers' report criticises member states for failing to make timely currency realignments and calls for a regular "candid and frank" dialogue on the sustainability of existing ERM parties.

The committee also expresses sympathy for the much-criticised Bundesbank's policy of maintaining high interest rates in the aftermath of German unification: "A tight monetary stance was the necessary response to counter price increases, leaving little scope for interest rate reductions."

A central theme in the report is that the European monetary system should not be managed as a de facto monetary union. This would be premature as the necessary degree of economic convergence has yet to be achieved between member states.

The ERM remains the designated vehicle for European monetary union as set out in the Maastricht treaty, but the central bankers make clear in their analysis of the crisis that there is no substitute for credible national policies in support of price stability.

"Realignments of central rates remain an important feature of the system and provision must be made for timely realignments when parties have become unsustainable in the light of a country's macro-economic performance and its current and future policies."

The central bankers concede that the assessment of ERM parties is an extremely difficult task. The report refers to "broad agreement" in the committee in favour of tighter surveillance of exchange rate relationships, a kind of early warning system.

The idea is to help to prod member states toward a consensus on the sustainability of central rates or the desirability of a timely realignment. "The committee stands ready to play its role in this surveillance exercise and to devise procedures for communicating its view to ministers."

The bank governors come down decisively against auto-

matic responses to market tensions, such as symmetrical action on the part of authorities of countries with weaker and stronger currencies.

Though they do not rule out intervening on an ad-hoc basis, the governors draw a clear line. Support will be forthcoming provided it does not jeopardise the control over domestic monetary conditions in the country issuing the intervention currency and that it is consistent with the primary objective of achieving price stability in the Community.

Bundesbank monetary stance was 'necessary response'

This appears to meet objections from the Bundesbank that its support interventions in favour of weaker currencies - particularly in favour of the British pound and the Italian lira last September - risked jeopardising control of its domestic money supply.

The governors say the ERM crisis confirmed that interventions - even where they were before the currency hit its margins - have only a limited effect in containing instability and may even exacerbate it if prolonged.

"Timely increases in interest rates remain the most promising course to counter market pressure," the report says. But it concedes that prolonged high interest rates may not be sustainable if member states are in recession.

The report declares that making market operators aware of the risks and possible losses from speculation is critical to managing the ERM. One option could be to allow a currency to strengthen within its fluctuation band when market pressures ease, another option is to use an element of surprise when offsetting the liquidity impact of exchange rate intervention in the money markets.

The committee expresses caution about any possible changes in the width of the fluctuation bands for the weaker and stronger currencies of 3/4 per cent and 6 per cent respectively.

The committee notes that decisions on the band should be preceded by "close consulta-

tion", taking account of the same factors as those considered when the sustainability of the parity grid is examined.

Also, the central bankers note that recent large-scale interventions financed through the short-term financing facility - that is, unlimited intervention financed in Ecu when exchange rates are at their limits - resulted in "substantial" losses for participating countries. Accordingly, the committee says it intends to study ways to change the present arrangement, taking account of the need to preserve an Ecu-based system.

Lastly, the central bankers attack politicians (and occasionally the monetary committee) for making empty promises on currency parities.

It voices "strong doubts about the usefulness of collective public statements in support of the existing central parities if not backed by immediate action. Experience has shown that such statements may fail to have a positive impact on market expectations and could also be damaging to the credibility of the authorities."

"However, when combined with decisive and visible action, demonstrating the authorities' determination to defend central rates, statements may play a useful complementary role," the report says.

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Deal mends rift between allies but does little for permanent settlement Stop-gap agreement on Bosnia

By Robert Mauthner,
Diplomatic Editor

THE main achievement of the agreement reached at the weekend by the US with its European allies and Russia is that it momentarily heals the rift between them over what to do next in Bosnia.

Yet it is clear that the joint plan of action is no more than a stop-gap measure which, while it might dampen the fighting and protect Muslim communities in a number of UN "safe areas", does very little to provide the basis for a permanent political settlement. No more than lip-service is paid in the final communiqué to the Vance-Owen plan for a division of Bosnia-Herzegovina into 10 semi-autonomous provinces based largely on ethnic criteria. The Bosnian Serbs' total rejection of the plan, and the less than lukewarm support it has won from Washington, has virtually relegated the plan to the already overflowing archives of unsuccessful Balkan peace projects.

It can, as the communiqué from the Washington talks emphasises, still form a building block for a negotiated "durable" peace settlement, which remains the objective of the countries attempting to find a solution to the Bosnian conflict. But the prospect of anything more than a partial implementation of the Vance-Owen proposals has become very slim indeed.

Communiqué usually try to put the most optimistic gloss on the outcome of the meetings which they describe. But the Washington communiqué merely states that "to the extent that the parties decide to implement promptly mutually agreed provisions of the Vance-Owen plan, this is to be encouraged." It has recently been conclusively demonstrated that the main provisions of the plan cannot be mutually agreed.

Though the ultimate objective of the Washington participants remains "the withdrawal of Bosnian Serb troops from territories occupied by force", there is no mention in the communiqué of the precise area to be given up, as there is in the Vance-Owen plan. The phraseology employed is reminiscent of UN Security Council resolutions on the Arab-Israeli conflict, which have remained largely a dead letter for more than two decades.



A British UN soldier in Bosnia lets a Bosnian Croat boy look through the sights of his rifle

Nor are any radical new measures proposed to achieve such a withdrawal. US President Bill Clinton has been unable to persuade his allies to accept either the lifting of the UN arms embargo against the former Yugoslavia in favour of the Bosnian Muslims or "surgical" air strikes against Bosnian Serb military targets. The emphasis will remain on a tightening of UN economic sanctions against Serbia and Montenegro and the sealing of their borders with Bosnia, which, it is hoped, will eventually force the Bosnian Serbs to adopt a more reasonable position.

However, it is not even certain that the proposal to place international monitors on the Serbian-Bosnian border - reiterated by the participants in the Washington meeting - will be accepted by President Slobodan Milosevic of Serbia. According to some reports from Belgrade, Mr Milosevic, while promising to seal the border with Bosnia, has rejected the idea of international monitors. Nor does he appear to be making good his promise to block military and other strategic supplies across the Bosnian border.

One of the most positive aspects of the new plan is the formal endorsement by the main powers of the concept of "safe areas" in Bosnia-Herzegovina to protect the Muslim

population from further expulsions and atrocities. But even this idea has been seriously weakened by the refusal of the US, which remains sceptical about the whole concept because of the danger that

havens could become no more than huge "refugee camps", to commit ground troops for their protection.

Washington's promise to protect UN forces in safe areas - though, significantly, not Mos-

lem civilians - from attack only by the use of air power falls far short of what its European allies would have liked.

Mr Alain Juppé, the French foreign minister, has openly expressed his "disappointment" at the refusal of the US to commit any ground troops to the UN's operations in Bosnia, while Mr Douglas Hurd, the British foreign secretary, has said the UK is not prepared to increase the number of troops - some 2,500 - it already has in Bosnia.

Though the Russians have promised to provide an unspecified number of ground troops for the Bosnian operation, it may prove difficult to make up the required number, given the small number of countries with forces qualified for such a task.

More important, the refusal by the US to contribute ground troops to the UN Protection Force in Bosnia, coupled with the European nations' rejection of any kind of military intervention, will undoubtedly remain a bone of contention between the western allies.

The net result of this can only be a weakening of the political message which they are trying to send the Bosnian Serbs.

Sirti chief arrested in Italian investigations

By Haig Simonian in Milan

THE impact of Italy's political corruption scandal widened sharply at the weekend with the arrest of Mr Luigi Montella, managing director of the state-controlled Sirti telecommunications group.

The arrest followed allegations by Mr Davide Giacalone, a former civil servant in the Posts and Telecommunications Ministry, whose testimony triggered a wave of arrests of senior private-sector telecommunications executives last week.

The latest allegations focus on the small Republican party, which has managed to remain relatively untainted by the corruption scandals so far. The new testimony, widely leaked, alleges the Republicans used their limited ministerial representation in the former Andreotti government as an important source of funds.

Mr Giacalone's testimony alleges L8bn (£3.8m) in kickbacks was paid between 1987 and 1990 by various telecommunications companies to Mr Oscar Mammi, a senior Republican politician and former post minister. Mr Giacalone, arrested this month, was an adviser to Mr Mammi.

Mr Montella's arrest marks the first involvement of the huge public-sector Stet telecommunications group in the corruption inquiries. Sirti is the network engineering subsidiary of Stet, the holding company for all Italy's state-owned telecoms activities.

Mr Montella is accused of corruption relating to a contract from ASST, the former telecommunications agency controlled directly by the Post Ministry.

The new allegations have led to both Mr Mammi and Mr Giorgio La Malfa, the former Republican leader, being told by magistrates they could face prosecution for accepting illicit funds and for illegal party financing. Mr La Malfa has already been told he is under investigation over separate, less serious, allegations of receiving illegal political contributions.

According to Mr La Malfa, the sums received from Mr Giacalone were far smaller, and always presented as voluntary contributions to the party, which are not outlawed.

In separate inquiries, Mr Franco Castiglione, a Socialist senator, was told by magistrates he could face prosecution over alleged kickbacks on

contracts for Olivetti computers for the Justice Ministry. Mr Castiglione was a junior minister in charge of improving the use of information technology for magistrates in 1990-1991.

Naples magistrates investigating links between local magistrates, lawyers and organised crime have also extended their inquiries to include Mr Alfredo Bargi, a Christian Democrat senator and well-known local lawyer. The Naples inquiries have so far resulted in 11 magistrates being placed under investigation.

● Socialist party leaders are due to meet tomorrow to elect a successor to Mr Giorgio Benvenuto, the party leader who resigned last week after complaining of insufficient support from many MPs.

The committee may elect Mr Ottaviano Del Turco, the former deputy head of the CGIL trade union federation, as a compromise leader.

The party, which has been severely implicated in the corruption scandal, risks breaking apart because of divisions between those, such as Mr Benvenuto, who want to distance it from Mr Bettino Craxi, its former leaders, and less reformist MPs loyal to Mr Craxi.

IMF tells Greece to continue reforms

By Karin Hope in Athens

GREECE is at last tackling the structural problems that have undermined the economy over the last decade, but perseverance will be needed to achieve convergence with the rest of the European Community, according to the International Monetary Fund.

"After years of hesitant starts, structural adjustment gained substantial momentum in 1992, especially in privatisation, deregulation and financial and public sector reform," the IMF said in its annual report on the Greek economy.

However, the confidential report also pointed out that inflation, now 16.2 per cent, is still much higher than elsewhere in the EC, while revenue raising remains a pressing problem.

The IMF said the government should take immediate measures to ensure that this year's target of a primary budget surplus, amounting to 5 per cent of gross domestic product, can be achieved, following a serious shortfall in revenues in the first quarter.

The government has ruled out introducing new taxes ahead of next spring's election, but is preparing spending cuts that would reduce public investment this year and trim subsidies to state-controlled enterprises.

The report added that further spending cuts would be needed next year, focusing on "cost-cutting in the government and the broader public sector, with a vigorous attack on overmanning".

Despite pledging to cut 50,000 public sector jobs by 1994, the government has made little progress on reducing the civil service payroll, swollen by patronage appointments.

The report also called for a more determined effort on privatisation, despite political opposition, in order to bring down the public debt, now at around 120 per cent of GDP.

The IMF warned against any relaxation of the stabilisation effort.

E German steel strike nears end

By Judy Dempsey in Berlin

EASTERN GERMANY'S three-week steel strike is expected to end tomorrow following an agreement reached at the weekend between the employers and IG Metall, Germany's powerful metalworkers' union.

The 7,000 steel workers who have been on strike since mid-May, mostly in Brandenburg, will be balloted tomorrow. If they accept the deal, it will bring to an end a wave of strikes which threatened to paralyse eastern Germany's industrial sector.

Under the terms of the agreement, forged after 15 hours of negotiations, the equalisation of eastern and western German pay levels for the steel sector has been postponed by two years, to April 1996. Until then, wages will reach 80 per cent of western German levels, beginning next month instead of last April, and will rise to 90 per cent in October 1994.

At present, incomes in eastern Germany's loss-making steel sector are 60 per cent of western German levels.

The agreement is modelled, with modifications, on the Saxony compromise, agreed 10 days ago between employers and IG Metall's metal and electrical sectors. However, the employers can exercise an opt-out, or hardship clause for those enterprises which cannot afford the proposed pay rises. IG Metall had rejected the Saxony compromise as a model for the steel sector on the grounds that it failed to iron out the income differentials between eastern Germany's steel, metal and electrical industries, even though parity among these two sectors does not exist in western Germany.

The formula agreed yesterday maintains this income differential, but gives the steel industry in eastern Germany a slight edge over the metal and electrical sectors in terms of income parity with its west German counterparts.



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NEWS: INTERNATIONAL

Chinese want to see project built to schedule

HK offers third plan for funding airport

By Simon Holberton
in Hong Kong

THE Hong Kong government has passed to China a third set of options for financing the colony's HK\$165bn (US\$21.2bn) airport and related infrastructure developments. Officials gave no details of the new financial plan but said it was given to Chinese government officials a few weeks ago.

The timing of the proposal appears to have coincided with senior Chinese officials' remarks that they wanted to see the airport built according to schedule.

Since the first financial plan was given to the Chinese more than a year ago, the airport has been hostage to an agreed Sino-British solution to Hong Kong's political development.

News of the new plan comes amid signs of markedly better Anglo-Chinese co-operation on economic aspects of Hong Kong's development which have followed the resumption of bilateral talks about the colony's future political arrangements.

Late last week the Chinese

government approved three business franchises which span June 1997, the date when China resumes sovereignty of Hong Kong. There are also indications that Beijing may re-enter discussions on the development of the colony's container port.

Last March the Hong Kong government presented its first financial plan to Beijing for the colony's planned new airport.

It envisaged a small up-front equity injection into two government corporations charged with building the airport and its connecting railway, with the remainder funded by debt. An implicit guarantee to fund unanticipated cash deficiencies, known as callable equity, was also promised.

China rejected this financial plan, claiming that it breached a memorandum of understanding signed in 1991 and placed a financial burden on the colony's post-1997 government.

Last September, the government proposed substituting most of the debt allowed for in its first plan with equity.

Beijing rejected this proposal and told the Hong Kong gov-

ernment to think again.

Tony Walker adds from Beijing: China and Britain agreed to resume discussing the wider issue of Hong Kong's future later this week after their third round of discussions in Beijing ended yesterday without apparent breakthrough.

A joint statement said that a fourth round would be held on May 28-29 in Beijing. Sir Robin McLaren, Britain's ambassador to Beijing and head of his country's negotiating team, described the atmosphere of the latest round as good. "The work we're doing is quite complicated," he said. His remarks indicated the two sides may have moved on to more substantial discussions.

The first two rounds were dominated by a Chinese rejection of a "guiding principles" for a resolution of the Hong Kong issue.

Beijing has charged that a proposal advanced by Governor Chris Patten for Legislative Council elections goes beyond understandings reached with London on Hong Kong's transition to Chinese rule in 1997.

EC envoys cancel Tibet banquet

By Tony Walker in Beijing

EUROPEAN Community envoys visiting Tibet abandoned a planned banquet at the weekend for their Chinese hosts in protest over the arrest of Tibetan dissidents.

In Beijing, Ambassador William Fris-Moeller of Denmark, said it would have been "inappropriate" to hold the banquet in view of the arrests.

Negative publicity associated with the EC mission in Tibet is likely to prove an embarrassment for the Chinese. Beijing had been seeking a favourable account of conditions in Tibet to balance recent bad publicity about alleged human rights abuses there.

The EC mission is preparing a report which will be presented to their governments by the middle of this week.

The EC envoys had spent about a week in Tibet at the invitation of the Chinese authorities.

The diplomats were due to hold a reciprocal banquet for Chinese officials in Lhasa on Saturday before their return to Beijing yesterday.



Cambodians with UN-issued voter registration cards crowd against a fence at a polling station in Phnom Penh yesterday

Cambodia poll puts Untac's chief to the test

By Samantha Marshall
in Phnom Penh

THESE are anxious days for Mr Yasushi Akashi, the 62-year-old Japanese diplomat who heads the United Nations Transitional Authority in Cambodia (Untac). His reputation depends on the success or failure of this week's UN-organised general election.

As Cambodians go to the polls after 19 months of UN efforts to implement the peace plan signed in Paris in 1991, many of Mr Akashi's critics inside and outside Untac are blaming his apparent indecisiveness and policy of patient diplomacy for the UN's failure to disarm the warring factions or bring peace to the country.

But Untac's mandate was to monitor a ceasefire rather than enforce one, and Mr Akashi was blocked at almost every turn by the intransigence of the Khmer Rouge, which reneged on the peace accord and threatens to disrupt the elections, and by the unwillingness of the government in Phnom Penh to yield control to UN administrators.

One of the turning points of Untac's mandate was in June last year, when Mr Akashi and Gen John Sanderson, Untac's Australian military commander, declined to insist on the UN's right to enter Khmer Rouge areas. Gen Michel Lorrain, Gen Sanderson's forceful French deputy, left Untac, complaining that it should have called the Khmer Rouge's bluff and if necessary take on the Khmer Rouge militarily even if it meant the loss of perhaps 200 men.

Mr Akashi disagrees. "I have no authority. I am not at liberty to sacrifice 200 good soldiers, even 20 soldiers," he said in an interview at Untac headquarters. "We have to remain within the mandate given to us by the Paris agreement and by the UN Security Council."

"We are not a group of heroic soldiers. We're not a group of Joan of Arcs here. We are here based on the willing consent of four Cambodian parties, who in their free will agreed to accept a number of political obligations. But some of the parties act as if they have forgotten the instrument

which they signed in good faith in Paris."

Asked whether it might have been better to have changed Untac's mandate to give it more powers of enforcement, Mr Akashi said there was little support for such a move from governments contributing to the peacekeeping forces, especially those from Asia and Australia. "Use of force in a domestic conflict can be extremely messy and bloody."

He added: "With the end of the cold war we thought the golden age of peace would arrive but it has not arrived and we are faced with Somalia, Yugoslavia, Afghanistan. We are seeing how persistent the domestic route of conflict is."

Mr Akashi accepts the need for some kind of continued UN presence after the scheduled departure of Untac in August, but is worried about Cambodia becoming too dependent on outside help.

"I do not like the spectre of Cambodia becoming a second Cyprus," he said. "I'm torn between the desire to help Cambodia and Cambodian people longer - to see to it that some of the reforms and the policies we have started will be completed - and my desire not to make this country and the Cambodian people feel too dependent on external influence."

"If the new government of Cambodia wishes, I think the Security Council will respond favourably to establishing some kind of small UN presence. In the meantime the reconstruction projects will continue and be expanded even. The World Bank, the IMF and the Asian Development Bank will come in, but they are waiting to see whether peace and stability in Cambodia after the elections will be secure enough."

Responding to his critics, Mr Akashi denied he was merely a practitioner of "patient diplomacy". "No, I think I am not that patient," he said. "I combine patience and impatience. If you are not patient you will not get things done, but unless you are impatient nothing will move, so you have to have appropriate combinations of both."

From dictators to democracy

IN the 40 years since independence from France, Cambodia has known little of democracy until this week.

When Prince Norodom Sihanouk was in power in the 1950s he stifled and persecuted parties which opposed him: Lon Nol, who overthrew the prince in 1970, was a dictator. The Khmer Rouge leaders who came to power in 1975 were ruthlessly authoritarian and killed 1m Cambodians, and the regime installed by Vietnam in 1979 was a one-party state modelled on the Soviet system.

The United Nations Transitional Authority in Cambodia (Untac) has nevertheless tried to introduce western-style democracy following the signing in 1991 of the Paris peace accords by the four main Cambodian factions. UN volunteers have fanned out across the country to preach the message.

For the first time in decades, Cambodians have been exposed to a spirited debate between politicians at hundreds of election rallies around the country. Nearly 4.6m people have registered to vote.

In some respects the policies of the 20 parties in the election are indistinguishable. Many are run by exiles who live in France, Thailand or the US. Most call for peace and reconciliation and are broadly hostile to Vietnamese immigrants. Most recommend a free market economy but are otherwise vague on economic and financial policy.

The chief distinction between the leading contenders is over whether to isolate and destroy the Khmer Rouge or to attempt to accommodate them - as the UN did with so little success - in a new government. The main parties in Cambodia are:

□ **Cambodian People's party.** The Communist party behind the present administration in Phnom Penh. Installed after the Vietnamese invasion which overthrew the Khmer Rouge in 1979, it has failed to receive international recognition, something it hopes to gain by winning this week's election.

The party claims to be the only organisation strong enough to combat the Khmer Rouge menace. There are fears it will be reluctant to hand

over to opposition parties if it loses at the polls. Mr Chea Sim is the party leader.

□ **Funcinpec.** The royalist party regarded as the main rival to the CPP. Created by Prince Sihanouk in 1981 to oppose the Vietnamese occupation, the party is now led by his son Prince Ranariddh, a university professor at Aix-en-Provence. It is the best-financed and organised of the opposition parties with offices throughout the country.

Funcinpec's policy is to hand over substantial powers to Prince Sihanouk and seek accommodation with the Khmer Rouge, with which it had an alliance against the Vietnamese occupiers until the 1991 peace accords.

□ **Buddhist Liberal Democratic party.** Led by Mr Son Sann, an 81-year-old former Cambodian prime minister, the

Political debate returns after decades, writes Victor Mallet

BLDP could be an important third force in the new assembly. The party emerged from the Khmer Rouge's National Liberation Front, the US-backed faction which signed the Paris accords. Like Funcinpec, it was allied to the Khmer Rouge during the Vietnamese occupation but is now almost defunct as a military force. Mr Son Sann's party has committed itself to resisting the Vietnamisation of Cambodia, to opposing any return of the Khmer Rouge and to fighting corruption.

□ **Khmer Rouge.** Known to its supporters as the Party of Democratic Kampuchea, the Khmer Rouge has rejected the election. The organisation signed the Paris peace deal but has reneged on the agreement by refusing to disarm its guerrillas and vowing to disrupt the voting.

Pol Pot, the infamous Brother Number One, is still regarded as the Khmer Rouge leader, although Mr Khieu Samphan is technically party chief.

THE CHALLENGE ROUND THE WORLD YACHT RACE

Our heartfelt congratulations go to skipper Mike Golding and the Group 4 crew. Their historic achievement in finishing the British Steel Challenge Round-the-World Yacht Race proves once again that the Group 4 name is synonymous with teamwork, courage and a determination to rise above all setbacks.

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PROFESSIONALISM IN THE FACE OF ADVERSITY



Europe's No. 1 telecommunications company is helping east-west business get into full swing.

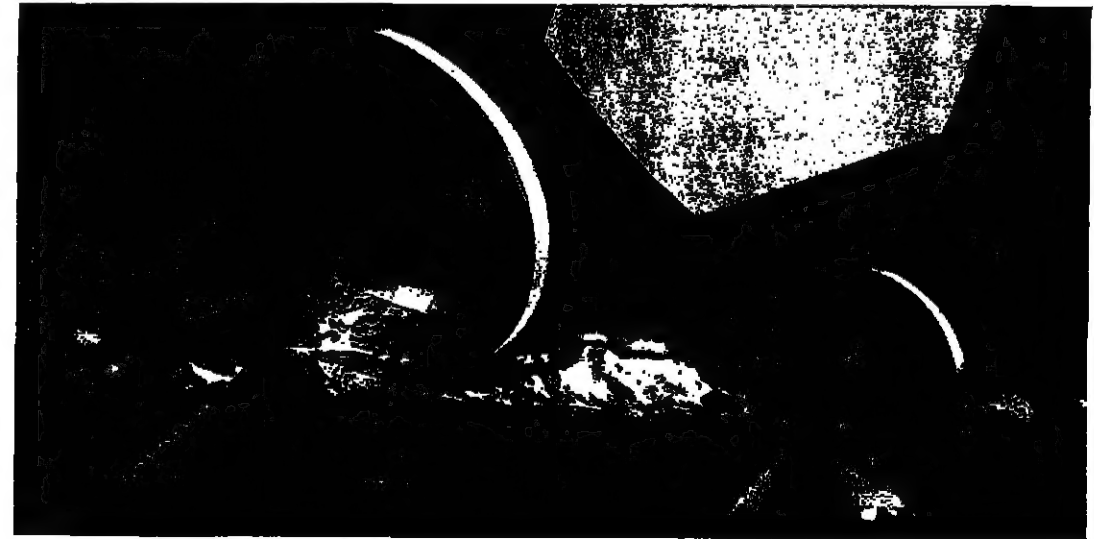
The Commonwealth of Independent States (CIS) needs access to western market economies. Equally, many

European companies are interested in developing new business relationships further east. A fully functioning telecommunications infrastructure is a fundamental prerequisite for meeting these objectives. And it's on this international, east-west stage that Telekom is currently making a vital contribution.

Working closely with several other partners from German industry, we're participating in the CIS ROMANTIS project to create a satellite-supported communications network. This will link the CIS countries to each other and to the western telephone network.

But there's no need to wait until then: Telekom can already offer companies a super-fast data highway to even the remotest location in the east. Via Intelsat and the Russian Intersputnik system, we keep you in constant touch with your eastern contacts, so that together you can really get business moving.

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NEWS: INTERNATIONAL

US plans economic aid for S Africa

By Jurek Martin
in Washington

THE US is prepared to work with other leading industrialised nations to help South Africa "re-enter the global economy" once its transition to a non-racial democracy is firmly on track.

In the first speech by a secretary of state exclusively devoted to Africa policy since the end of the cold war, Mr Warren Christopher said that the US-led effort, in which it expected co-operation from others in the Group of Seven leading industrial nations, would begin once a transitional executive council has been put in place and a firm date for elections set.

Before that, Mr Christopher went on: "we have urged the World Bank and the parties in South Africa to begin planning now the projects that will lead to economic growth." He hoped US businesses would be in the vanguard of investment in South Africa.

He had special praise for both Mr Nelson Mandela and President F.W. de Klerk for the "monumental achievement" of making free and fair elections possible. "That election will echo around the African continent and across the world as a roaring triumph of human rights," he said.

Mr Christopher placed his commitment to assist the



A South African policeman opens fire on pro-ANC marchers at Thokozu on Saturday

South African economy firmly in the context of the promotion of democracy throughout the continent. "That is why President Clinton chose to invite the first president of a democratic Namibia, Sam Nujoma,

as the first African head of state to be recognised at the White House."

Elsewhere in his speech, he bluntly referred to President Mobutu Sese Seko of Zaïre as an example of "corrupt dicta-

tors" but he singled out no other African autocrat, preferring instead to praise unnamed "courageous democrats" from Senegal to Benin and Madagascar to Mali, and to warn that "the US will take human rights

into account as we determine how to allocate our scarce resources for foreign assistance."

The Christopher speech, commemorating the 40th anniversary of the Africa-America

Institute, was to have been the stage for announcing US recognition of the former Marxist government of Angola. That, however, was pre-empted by Mr Clinton earlier last week.

His overall message, which he called a New Relationship, was that the US saw its role as one which could "enhance but not erase" African solutions to African problems.

This, he argued, had at last been made possible by the end of the cold war. "Thankfully, we have moved beyond the point of adopting policies based on how they might affect the shipping lanes next to Africa rather than the people in Africa."

● The African National Congress called for an inquiry into the deaths of at least 13 people after clashes on Saturday in Thokozu township near Johannesburg between ANC supporters and those of the Inkatha Freedom party. Reuter reports from Johannesburg.

"The massacre is a national tragedy," ANC regional chairman Tokyo Sexwale said. "Yet again our people have been turned into victims of senseless violence by forces who survive on the bloodletting of our people."

At least 10 blacks were killed and up to 70 wounded on Saturday when pro-ANC marchers clashed with Zulu-speaking migrant workers at a hostel on the march route.

NEWS IN BRIEF

Israel jobs move for Palestinians

THE Israeli cabinet yesterday allocated 30m shekels (\$7m) to create 20,000 jobs in the occupied territories for Palestinians barred from entering Israel since the closure order was issued almost two months ago, writes our Jerusalem Correspondent.

The cabinet rejected left-wing ministers' calls for the introduction of unemployment pay for tens of thousands of Palestinians who are being kept away from their jobs in Israel since the closure began.

The growing hardship in the occupied West Bank and the Gaza Strip is attracting increasing international criticism. The US, which sees chances for progress in the Middle East peace process ebbing away, called on Israel over the weekend to ease conditions.

NZ and Australia stress links

New Zealand and Australia sought at the weekend to underline their commitment to co-operation, particularly in trade, after a three-day visit to New Zealand by Mr Paul Keating, Australian prime minister, writes Terry Hall in Wellington.

Mr Keating outlined a vision of "companionability" for the trading future between the two countries, adding that the "main game is our integration in the Asian-Pacific region".

On defence, Mr Keating apparently failed to secure agreement for New Zealand to spend more, and was also unsuccessful in his calls for the country to patch up its differences on nuclear ship visits with the US under the Anzus pact.

There was agreement on pensions integration, and the two leaders said they would facilitate moves on air travel between the two countries to allow people to use domestic terminals by the end of the year.

Congo postpones second poll

Congo postponed the second round of parliamentary elections until June 5 because of delays over first-round results, and the opposition threatened to boycott the poll, Reuter reports from Brazzaville.

Results of the first round, held on May 2, were announced last week. They gave the Presidential Movement of President Pascal Lissouba a clear lead with 63 seats in the formerly Marxist country's 125-seat National Assembly.

Uttar Pradesh governor removed

India's federal government yesterday removed the governor of Uttar Pradesh, a key northern state where Hindu extremists demolished a mosque last December. Reuter reports from Lucknow. Mr B. Satyanarain Reddy was replaced by Mr Moti Lal Vohra, President Shankar Dayal Sharma's office announced.

Nearly 2,000 people were killed in riots after the mosque demolition.

Congress leaders of Uttar Pradesh have been demanding Mr Reddy's removal since the razing of the mosque. They suspect him of loyalty to the Hindu nationalist Bharatiya Janata Party (BJP) government which was ruling in the state at that time.

Cuba and Russia boost ties

Cuba and Russia have agreed to try to boost their flagging bilateral economic ties and signed a memorandum outlining joint trade, production and investment initiatives in sugar, oil, machinery parts and fertilisers, Reuter reports from Havana.

Cuban state media said the memorandum outlined ways for the two countries to put their trade relations on a new footing by setting up joint ventures and production-sharing initiatives.

Iran warns Iraq over rebel raids

An Iranian military commander warned Iraq his forces would chase Iranian rebels back to their bases inside its territory if they continue cross-border raids against the Islamic republic, Reuter reports from Tehran.

Brigadier General Mohammad Ali Jafari, commander of the Islamic Revolution Guards Corps ground force, made his comments in an interview published yesterday by the Jomhuri Islami newspaper.

Egypt signs two oil deals

Egypt signed two oil deals with Italian Agip's Egyptian arm, International Egyptian Oil Company and one with British Gas, an oil official said yesterday, Reuter reports from Cairo.

The state-owned Egyptian General Petroleum Corporation said it would spend \$22m and sink five wells in the Belayim area of the Gulf of Suez over seven years.

The second agreement rationalises existing concessions into one agreement and extends them until the year 2020.

Caracas leader faces row over term of office

By Joseph Mann in Caracas

VENEZUELA'S opposition parties have launched an offensive over how long acting President Octavio Lepage should stay in office, just three days after being sworn in.

Mr Lepage, backed by his Democratic Action Party, wants to stay in office for 90 days or more. But the opposition says he should have no more than 30 days and a joint session of congress should elect a new president from its members before then. As a former senator, Mr Lepage would presumably be eligible.

Mr Lepage, a veteran politician, took over as caretaker president after the senate decided there were grounds to impeach President Carlos Andrés Pérez, who was suspended from his duties. Mr Pérez was due to complete his five-year elected term on February 2, 1994, but now must face charges of mishandling government funds.

Ex-president Rafael Caldera, a leading candidate in presidential elections scheduled for next December, said the con-

gress should vote within a week on a new president, and warned that he would demand an opinion from the supreme court if Mr Lepage tried to stay longer than 30 days.

While Venezuela's constitution clearly defines a presidential succession procedure in case of the death or resignation of a sitting chief executive, it is not precise on the question of a temporary presidential absence.

Mr Lepage has served as acting president for short periods under two previous governments. Constitutionally, he is first in line to replace a sitting president as chairman of the Senate, and as such chairman of the National Congress.

Mr Lepage served as minister of the interior under President Pérez during the latter's first presidential term in the 1970s, and under President Jaime Lusinchi, who was in office from 1989 to early 1989. In these posts, he was made acting president when the president went abroad. He has served in Congress for many years, first as a deputy then as a senator.

Dunkel warns on protectionism

STRONG-ARM tactics by big countries to impose policies on others could endanger the world trading system, Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, said in South Korea this morning, apparently referring to the US.

Unless the Uruguay Round talks on trade liberalisation were wrapped up this year, he told the Pacific Basin Economic Council in Seoul, they might never be completed.

Mr Dunkel said he was disturbed by "a new flirtation with protectionism in some of the world's leading economies" and a questioning of the value of an open trading system. This was especially alarming, the former Swiss diplomat said, because hopes for a modest recovery in the world economy "hinge on the prospects for growth in trade".

His main criticism was clearly aimed at President Bill Clinton's new team and sections of the Democrat-controlled Congress which argue for tough tactics to achieve Washington's trade objectives.

"We see for example attempts to impose domestic environmental or labour standards on other countries through trade measures, and attempts to open markets through bilateral pressure rather than in multilateral negotiation," Mr Dunkel said. "This bilateralism is a threat to the open trading arrangements as much as it is to the open multilateral system."

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Mr Dunkel said Mr Clinton's request to Congress for renewed negotiating authority in the round until December 15 was encouraging, and urged leaders of the industrial powers meeting in Tokyo in July to work for that deadline.

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Discord over US pressure on Nafta

By Bernard Simon in Toronto

MEXICO and Canada are at odds with the US over demands for environmental and labour standards which would form part of the North American free trade agreement (Nafta).

Following a three-day negotiating session in Ottawa, Mexico and Canada expressed misgivings over Washington's demands for measures to enforce the accord and for sanctions for non-compliance.

Nafta is due to come into force next January. However,

the Clinton administration wants to stiffen the environmental and labour provisions of the agreement to counter fears that low Mexican wages and weak anti-pollution standards will attract many US companies to Mexico.

Canada and Mexico are concerned that US companies may use environmental and labour disputes as a pretext for broader trade complaints. The two governments also contend that a separate enforcement mechanism could undermine the provisions of Nafta.

Mexico restrains growth in imports

By Damian Fraser in Mexico City

MEXICO posted a trade deficit of \$3.64bn (\$2.36bn) in the first quarter, a rise of 7.9 per cent on 1992. The rise is smaller than previous years and follows a sharp slowdown in import growth.

Imports reached \$15.38bn in the first quarter, a rise of 10.3 per cent, compared to growth rates of 30-30 per cent last year.

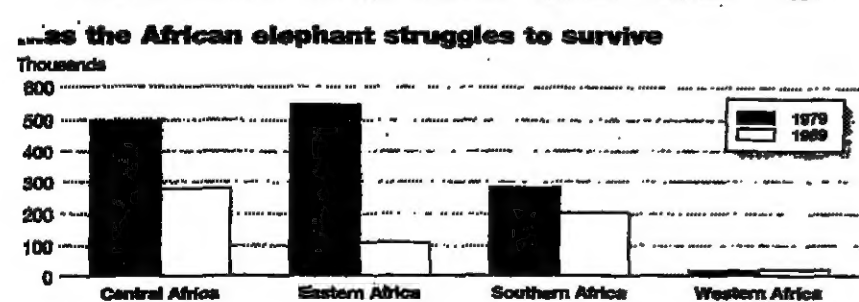
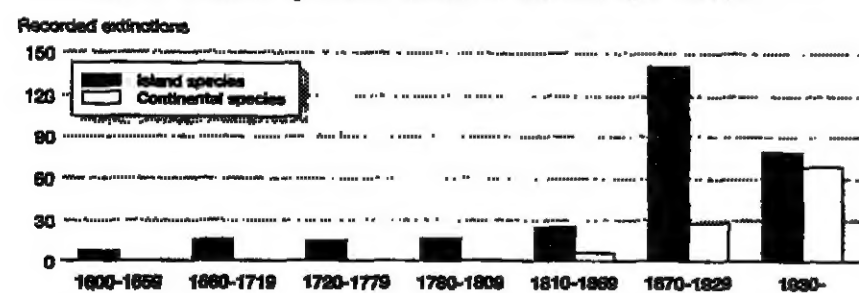
Exports rose to \$11.75bn, 11.1 per cent more than the same period last year, with manufac-

turing exports performing particularly well.

The trade numbers come on the back of an unexpectedly favourable increase of 2.4 per cent in gross domestic product in the first quarter. Some sectors, such as textiles and apparel, and metals and machinery, suffered from high interest rates and tight fiscal policy, while construction rose 7.6 per cent and services were up by 2.6 per cent.

For March the government reported a trade deficit of \$1.23bn.

The toll of extinct species mounts across the world...



Sources: Economic Policy 16, April 1993

Trade bans may save the whale, but not the elephant

BIO-DIVERSITY is the environmental lobby's latest buzz-word. Translated, it means the more species, the merrier. But this diversity appears to be under threat, at least according to statistics compiled by the World Conservation Monitoring Centre, which purport to show that species extinctions have risen rapidly over the past century. Humans cannot be blamed for the demise of all species, the extinction of the dinosaur being one obvious example. Let us accept, however, both that biodiversity is worth preserving and that it is human beings who are responsible for the rise in extinctions in recent decades. What can be done to reverse the trend?

The standard response, enshrined in numerous international conventions, is to ban economic exploitation of endangered species. Such a ban is the mechanism that the International Whaling Commission has used for over 40 years in its efforts to reverse the collapse in the number of blue and hump-back whales. A fortnight ago, at its 45th annual meeting, the IWC decided not to lift its ban on commercial whaling.

The Convention on International Trade in Endangered Species (CITES) hopes that by banning ivory trade it can reverse the demise of the African elephant, whose numbers halved between 1979 and 1989, implying a loss of over 700,000 elephants. The ban was imposed in 1989 and reconfirmed a year ago, despite opposition from southern African governments.

Do such trade bans work? Not always, argues Mr Timothy Swanson in the latest issue of *Economic Policy*. A ban on commercial fishing may be an effective way of protecting threatened oceanic species from excess fishing, he argues, but halting trade in elephant products is not.

Whales are threatened with extinction for three reasons: they breed slowly; they are cheap to catch relative to the market price for whale products; and access is available to anyone with a boat and the necessary expertise. If access to whale farming were controlled by quotas, their numbers could theoretically be stabilised. In practice, a ban on commercial whaling is a more effective way of reducing the

economic return for fishermen and thus discouraging their capture. But the success of this policy for preserving the whales depends on the assumption that, left to their own devices, whales would breed freely and flourish.

The same argument does not apply to elephants, which do not have the luxury of living in huge oceans. The survival of land species, especially such large and potentially destructive animals as elephants, depends on the willingness of humans to preserve their habitat. This depends on their economic return, compared to other land uses.

It is because investing in elephants has not been sufficiently profitable, at least in the poorest African states, that elephants are threatened. While the proximate cause for the decline in the number of African elephants in recent years seems to be the availability of high-power weapons and the relatively lucrative ivory trade, elephants were killed in large numbers because government did not find it profitable to stop the poachers. In the 1980s,

four countries alone - Tanzania, Zambia, Zaire and Sudan - lost 750,000 elephants. All spent less than \$30 a year per square kilometre on park management. Zimbabwe, by contrast, spent \$194 and saw its elephant stock rise by over 20,000.

Little wonder that the higher spending governments of southern Africa are arguing for the ban on the ivory trade to be lifted. Banning trade reduces the incentive for African countries to keep poachers out of the parks or to preserve elephant-friendly habitats. If African elephants are to be saved, the economic return on elephant farming must be increased, rather than lowered, perhaps by granting export quotas to countries willing to invest in keeping the poachers out. Free trade in ivory may not be environmentally friendly, but neither is a trade ban.

Edward Balls

Timothy Swanson, "Regulating endangered species", *Economic Policy* 16, April 1993. Cambridge University Press.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

■ UNITED STATES						■ JAPAN						■ GERMANY						■ FRANCE						■ ITALY						■ UNITED KINGDOM					
	Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate		Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate		Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate		Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate		Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate		Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate
1985	270.8	-174.2	-159.7	0.7823	100.0	230.8	78.0	64.5	160.50	100.0	242.8	32.4	21.7	2.2260	100.0	133.4	-3.6	-0.2	6.7942	100.0	103.7	-16.0	-5.4	144.30	100.0	132.4	-5.7	4.7	0.5890	100.0	1985				
1986	280.1	-140.6	-150.0	0.9839	80.2	211.1	90.2	60.5	165.11	124.4	246.6	53.4	40.3	2.1279	108.8	127.1	0.0	3.0	6.7948	102.8	98.4	-2.5	-1.4	146.16	101.4	108.2	-14.2	0.1	0.6706	90.1	1986				
1987	220.2	-131.8	-141.6	1.1541	70.3	187.3	85.1	75.5	166.56	132.2	254.9	58.8	30.1	2.0710	115.9	128.3	-4.6	-3.6	6.9225	103.0	107.7	-17.5	-2.1	149.43	101.2	112.3	-16.4	-6.4	0.7047	95.5	1987				
1988	272.6	-100.2	-107.0	1.1833	62.0	219.8	80.7	66.6	151.51	147.3	272.6	61.6	42.9	2.0739	114.8	128.9	-8.3	-3.4	7.0354	100.8	108.3	-8.9	-8.0	150.68	97.8	120.8	-24.3	-24.3	0.6843	91.6	1988				
1989	300.2	-99.3	-91.8	1.1017	62.4	245.3	70.5	52.4	151.87	141.9	310.2	65.3	52.3	2.0561	113.5	162.9	-8.3	-3.6	7.0189	98.8	127.8	-11.3	-17.0	150.92	98.6	137.0	-36.7	-32.3	0.6728	92.6	1989				
1990	308.0	-79.3	-70.9	1.2745	64.1	220.0	50.1	28.3	183.94	128.0	323.0	51.8	37.2	2.0537	118.1	170.1	-7.2	-7.2	6.9202	104.8	133.6	-9.3	-18.0	152.32	100.6	147.7	-14.7	-23.8	0.7190	91.6	1990				
1991	340.5	-53.5	-3.0	1.2391	65.5	247.4	83.1	62.9	186.44	137.0	327.4	11.2	-16.2	2.0480	117.7	175.4	-4.2	-4.7	6.9643	102.7	137.0	-10.5	-20.9	153.13	96.9	147.7	-14.7	-23.8	0.7190	91.6	1991				
1992	345.8	-64.1	-48.2	1.2557	62.9	254.8	101.8	66.8	184.05	142.9	330.3	16.4	-19.9	2.0187	121.2	182.4	4.3	2.1	6.9420	108.0	137.9	-8.0	-11.0	159.15	95.7	145.1	-18.7	-16.1	0.7359	88.4	1992				
2nd qtr.1992	88.8	-18.9	-14.4	1.2717	63.6	65.9	28.1	23.1	186.60	138.9	81.1	3.6	-5.2	2.0511	118.7	46.2	1.5	0.9	6.9122	104.4	35.8	-3.6	-2.9	154.63	98.5	38.0	-4.5	-4.4	0.7034	92.3	2nd qtr.1992				
3rd qtr.1992	88.6	-17.7	-11.4	1.2651	60.1	61.5	23.7	20.1	172.79	138.8	83.9	6.4	-6.4	2.0221	122.1	45.2	0.9	0.0	6.8538	106.6	32.9	0.5	-6.5	154.66	98.2	36.4	-4.5	-4.0	0.7281	90.9	3rd qtr.1992				
4th qtr.1992	91.5	-17.4	-17.4	1.2653	64.2	65.2	28.9	24.8	155.57	148.7	82.1	3.4	-4.1	1.9639	125.0	45.5	1.0	2.3	6.9529	109.3	34.9	0.0	0.0	1719.4	87.1	34.3	-5.4	-4.8	0.6015	79.8	4th qtr.1992				
1st qtr.1993	95.8	-21.8	-1.8	1.1841	66.4	72.8	28.9	30.6	143.41	156.5	82.1	21.8	1.8	1.9348	125.0	45.5	1.0	2.3	6.9593	110.0	34.9	0.0	-4.9	1827.9	80.5	34.3	-5.4	-4.8	0.6017	78.5	1st qtr.1993				
May	28.2	-6.0	n.a.	1.2676	63.6	21.1	9.6	8.0	165.57	136.7	26.5	0.8	-0.1	2.0251	118.1	15.0	0.9	1.38	6.9080	104.5	11.5	-1.9	-0.9	154.68	96.5	13.0	-1.2	-1.7	0.7000	92.8	May				
June	29.2	-5.2	n.a.	1.3039	63.3	21.3	8.3	6.3	165.32	141.7	26.1	0.8	-2.1	2.0498	119.1	15.4	-0.16	-0.54	6.9001	104.9	12.7	-0.5	-1.0	155.03	95.5	12.5	-1.3	-1.0	0.7137	92.9	June				
July	27.9	-5.5	n.a.	1.2682	63.1	20.5	8.1	5.9	164.10	139.2	25.9	0.9	-0.2	2.0410	120.7	15.5	0.87	-0.16	6.8872	106.0	13.7	0.8	-1.1	154.62	99.5	12.3	-1.6	-1.08	0.7027	92.5	July				
August	25.9	-6.2	n.a.	1.4014	59.8	19.9	7.4	5.9	177.11	137.0	27.7	3.1	0.7	2.0299	122.5	14.2	-0.4	-0.25	6.8944	106.3	11.9	1.1	-1.5	154.24	100.1	12.3	-1.8	-1.04	0.7048	92.9	August				
September	27.3	-6.0	n.a.	1.3786	60.2	21.1	8.2	7.2	166.05	142.5	27.8	2.9	-1.8	1.9827	123.8	15.6	0.49	-0.67	6.7792	107.6	11.3	1.4	-2.0	150.41	95.0	11.5	-1.8	-1.09	0.7219	92.0	September				
October	28.4	-5.5	n.a.	1.3210	62.1	21.3	8.9	7.7	159.93	148.2	28.6	2.4	-1.3	1.9564	125.4	15.1	0.11	0.99	6.8388	107.0	12.4	0.1	-1.5	172.68	87.3	11.5	-1.4	-0.86	0.7428	92.0	October				
November	30.5	-6.3	n.a.	1.2372	65.1	22.1	9.1	9.3	153.22	150.3	28.6	0.9	-0.9	1.9504	124.0	15.1	0.05	0.13	6.8426	109.0	10.8	-1.2	-0.9	168.70	88.7	11.4	-1.7	-1.09	0.7069	88.0	November				
December	31.8	-5.6	n.a.	1.2391	66.3	21.7	8.8	7.8	153.67	150.7	26.7	0.0	-2.5	1.9816	125.3	15.9	0.85	0.14	6.8790	106.9	11.8	1.1	-0.1	174.75	85.6	11.5	-2.2	-1.50	0.7110	78.3	December				
January	31.3	-6.4	n.a.	1.1951	68.9	22.9	9.9	9.3	143.59	151.2	25.8	1.3	-3.7	1.9327	125.3	13.7	0.48	0.69	6.8929	109.7	9.7	0.4	-3.1	1784.9	82.5	11.5	-2.2	-1.83	0.6976	80.6	January				
February	31.4	-6.1	n.a.	1.1767	66.7	24.0	10.4	9.3	142.00	159.2	25.8	1.3	-3.7	1.9327	125.3	13.7	0.48	0.69	6.8929	109.7	9.7	0.4	-3.1	1784.9	82.5	11.5	-2.2	-1.83	0.6976	80.6	February				
March	33.1	-8.7	n.a.	1.1788	66.2	25.5	10.6	10.8	138.61	164.4	25.5	10.6	10.8	138.61	164.4	25.5	10.6	10.8	138.61	164.4	25.5	10.6	10.8	138.61	164.4	25.5	10.6	10.8	138.61	164.4	March				
April	33.1	-8.7	n.a.	1.2214	64.3	25.5	10.6	10.8	137.17	167.8	25.5	10.6	10.8	137.17	167.8	25.5	10.6	10.8	137.17	167.8	25.5	10.6	10.8	137.17	167.8	25.5	10.6	10.8	137.17	167.8	April				

How can you hear yourself think if your body keeps complaining?



It's always the same. You're sitting quietly, mulling things over, when a particularly interesting mental insight starts to form in your mind. That's when it happens.

"We interrupt this thought process with an urgent message. Your foot has gone to sleep."

By the time you've finished the necessary toe-twiddling and foot massaging, the insight has evaporated into thin air. If only your pins and needles would do the same.

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It has a built-in adjustable lumbar support. Because all lower backs (the bit of you most vulnerable to aches and pains) are in different positions.

And because feet are happiest when they're as far from the rest of you as possible, a new footrest drops down from the seat in front.

The improved head rest has even

bigger ears for you to lean against. So when you're gently dropping off, your head won't be.

Now your mind can be perfectly free to volunteer thoughts, insights



NEW ADJUSTABLE LUMBAR SUPPORT AND FOOTREST.



OUR MOST COMFORTABLE SEAT YET.

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CLUB WORLD
BRITISH AIRWAYS
The world's favourite airline

● Jet bill exceeded £100,000 ● 'impractical agenda' criticised ● Troubled carrier used for 26 flights

High fliers face scrutiny at EBRD

By Robert Peston, David Helliier, Jimmy Burns and David Buchan

MR JACQUES Attali, president of the European Bank for Reconstruction and Development, breakfasts with the deputy prime minister of an eastern European state, lunches with bankers in another and then dines with a head of state several hundred miles away.

As he says himself, the only way to keep up such a pace is to use a private jet. One charter company in particular - Air Enterprise, based at Le Bourget, near Paris - has been the beneficiary of Mr Attali's flights from London, where the EBRD is based.

According to a detailed memorandum prepared by Mr Anders Ljungh, the bank's finance director, the EBRD paid Fr6.88m (£100,000) in 1992 for 26 flights with Air Enterprise - many to destinations well served by scheduled flights.

Only once in that year did the EBRD charter an aircraft from another operator and that was for a trip to the Baltic states of the former Soviet Union which did not involve Mr Attali.

The trip was organised by six EBRD directors, each a civil servant representing the countries which own the bank.

The trip to the Baltic states lasted six days. The jet provided by Euro-Elite, the charter company, carried 10 passengers from the bank.

The travel costs of the excursion, which included stops in Helsinki, Vilnius, Riga, Tallin and St Petersburg, totalled £8,800.

The banks' directors have now asked why all but one of the trips with Air Enterprise cost more.

Their concern at the expenditure on private jets has become one of the main targets of the bank's audit committee, which is investigating the conduct of the bank's financial management.

Mr Claes de Neergaard, a Swedish government official civil servant who is chairman of the bank's audit committee, made a series of critical comments on the flights in a report dated May 7.

● "The committee believed the use of special flights [flights in chartered airplanes] should be scrutinised on the grounds of cost efficiency, cost effectiveness and their impact on the Bank's image."

● "The committee was not satisfied that cost efficiency had been demonstrated, especially where flights were to destinations well-served by commercial airlines."

● "The committee expressed doubts as to the cost effectiveness as it appeared that special flights were often necessitated by an impractical agenda."

● "The committee expressed serious concern that during 1992 one company [Air Enterprise] had been used for all but one of the 27 flights."

One Bank director said yesterday the audit committee would now carry out a "forensic probe" of the flights taken by Mr Attali.

Mr Ljungh's synopsis of private jet flights in 1992, however, does not give details of Mr Attali's schedule on these trips, nor why Air Enterprise was chosen repeatedly as the bank's favoured carrier.

In its publicity material the charter company, which operates as a trading arm of Air Enterprise International, describes itself as "the first aviation company for business purposes in France and the second in Europe".

It says that in 1991, its turnover was Fr160m, from a fleet of 19 aircraft, including 11 Falcons, regarded as among the most luxurious of private aircraft.

A company search, however, has disclosed that Air Enterprise International made after tax losses of Fr91m in 1991 and Fr13m losses in the year to June 1992. The search also

found that an unpaid bill was registered against the company in January 1993.

Air Enterprise's holding company is Compagnie Européenne d'Aviation Generale (CEAG). Last August, Mr Rene Micaud, the former chairman of a tour operator, Air Outre-Mer, bought 67 per cent of the shares in CEAG.

Mr Bin Abdullah bin Abdul Aziz, a member of the Saudi Royal Family, acquired the remaining shares. The terms of the deal have not been disclosed.

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The EBRD's 1992 private jet itinerary... and scheduled alternatives

DATE	LISTED DESTINATIONS	CHARTER AIRLINE	NUMBER OF PASSENGERS	COST (£)	NUMBER OF SCHEDULED FLIGHTS AVAILABLE ON THE SAME DAY	EQUIVALENT RETURN FARE FOR SAME NUMBER IN BUSINESS CLASS (1)
Jan 7	Cologne/Bonn	Air Enterprise	4	6,971	4 to Cologne	1,478
Jan 10	Baltic states	Air Enterprise	Group visit of directors	6,800	1 to direct flight	NA
Jan 14	Helsinki/Oslo	Air Enterprise	8	22,411	3 to Helsinki	4,380
Jan 17	Moscow	Air Enterprise	8	23,894	3 to Moscow	3,812
Jan 20	Jerusalem	Air Enterprise	8	25,458	2 to Tel Aviv	4,938
Jan 20	Kiev	Air Enterprise	13	17,718	1 to Kiev previous day	NA
Feb 7	Dnovo	Air Enterprise	4	13,357	11 to Zurich	1,458
Feb 19	Central Asian Republics	Air Enterprise	9	60,999	No direct flight	NA
Feb 23	Warsaw	Air Enterprise	7	16,194	5 to Prague	3,574
Mar 2	Warsaw	Air Enterprise	8	19,219	2 to Warsaw	4,204
Mar 5	Moscow/Sverdlovsk/Moscow	Air Enterprise	14	15,082	No direct flight to Sverdlovsk	NA
Mar 8	Budapest	Air Enterprise	8	40,654	3 to Budapest	4,064
Mar 13	Bucharest	Air Enterprise	5	33,670	1 to Bucharest previous day	NA
May 5	Munster	Air Enterprise	4	16,335	1 to Munster	1,740
May 11	Cologne/Bonn	Air Enterprise	4	13,533	4 to Cologne	1,578
May 17	Lyon	Air Enterprise	4	14,745	3 to Lyon	1,632
May 20	Geneva	Air Enterprise	4	14,055	12 to Geneva	1,458
May 22-23	Seville/Lisbon	Air Enterprise	7	29,620	3 to Seville	4,297
Jun 13	Ankara	Air Enterprise	8	22,843	4 to Istanbul	5,504
Jun 25	Sofia	Air Enterprise	12	33,834	1 to Sofia	11,286
Jul 10	Helsinki	Air Enterprise	6	25,885	5 to Helsinki	3,708
Oct 7	Georgia	Air Enterprise	11	49,232	None that day due to strikes	NA
Oct 7	Munich/Vienna	Air Enterprise	4	27,568	10 to Munich	2,954
Oct 7	Seville/Cordoba	Air Enterprise	6	17,151	1 to Seville	3,780
Oct 12	Prague/Bratistava	Air Enterprise	8	29,371	3 to Prague	4,720
Nov 23	Central Asian Republics	Air Enterprise	11	103,779	No direct flight	NA
Dec 11	Antalya (Turkey)	Air Enterprise	7	38,566	4 to Istanbul	5,206

* Cost to stated destination only for the same number of passengers who travelled by private jet. Does not take account of onward journeys and related stop overs. Source: ABC World Airways Guide 1992. Does not take account of changes in the stated schedule.

Additional research by Louise Lobb

over was Fr160m, from a fleet of 19 aircraft, including 11 Falcons, regarded as among the most luxurious of private aircraft.

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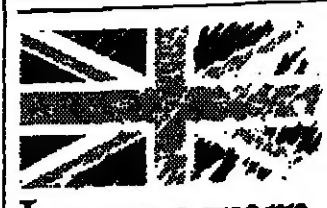
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Britain in brief



Insurers warn of increased bomb cover

Moves to increase the cost of terrorism insurance following last month's bomb in the City of London could leave many businesses unprotected from the IRA, insurers have warned.

A number of insurance companies also fear higher premiums could hamper a new government-backed reinsurance scheme. Pool Re, the mutually-owned reinsurer, is said to be coming under intense pressure from government to increase its rates but, according to one City insurer, this would "quite definitely undermine the scheme". The real danger is that it may discourage people from taking out the cover, he added.

Pool Re was set up after insurers withdrew terrorism cover from commercial policies in the wake of the IRA's mainland bombing campaign last year. The reinsurer pays claims only until its own funds - which are generated by new terrorism insurance premiums - are exhausted, with the government meeting at least 90 per cent of further costs.

Controversy on M-way tolls

The government will face fresh controversy over its transport policies this week when Mr John MacGregor, transport secretary, announces proposals to start charging drivers for using the motorways.

Opinion polls suggest that motorway tolls could prove even more unpopular than railway privatisation. A poll carried out for the Royal Automobile Club earlier this month found 68 per cent of motorists opposed to the idea.

Mr MacGregor is putting forward his proposals in a consultative document expected to be published on Wednesday. His aim is to find a new source of finance to fund the government's £15bn roadbuilding programme, which is already running badly behind schedule.

Clash likely on gas inquiry

British Gas could face further damaging clashes with its regulator following the outcome of the Monopolies and Mergers Commission's investigation into the company which is due by the end of July.

The legal complexities could arise from the way in which the referrals to the commission were made and the expected

ted complexity of the eventual reports.

Four separate referrals to the commission were made about different parts of the company's business and under different pieces of legislation. British Gas could end up challenging any of the commission's recommendations that are implemented by its regulator.

Sir James McKinnon, the regulator, made two of the referrals to the monopolies commission under the 1986 Gas Act and Mr Michael Heseltine, industry secretary, made the other two under the Fair Trading Act. The commission must report on each one of these, delivering its verdict to the body that made the initial referral.

UK and Irish ministers meet

British and Irish ministers will tomorrow try to dispel some of the gloom over the prospects for talks on the political future of Northern Ireland following last week's local elections in the province.

Sir Patrick Mayhew, Northern Ireland secretary, will discuss in Dublin with Mr Dick Spring, Irish foreign minister, how unionist and nationalist political leaders can be persuaded to resume negotiations which collapsed last November.

Even before last week's local elections, which saw a better than expected performance by the hardline Democratic Unionist Party and Sinn Féin, the political wing of the IRA, ministers from both governments were envisaging another Anglo-Irish conference after tomorrow's before talks would resume. Now they may consider putting off the restart of talks still further.

Long fall-out from recession

Many UK manufacturers of consumer products believe the impact of recession will affect their businesses for at least the next six months, according to a survey of UK marketing executives. The survey, conducted last month by Datamonitor, covered 394 marketing executives in 60 consumer goods sectors. In most sectors, three quarters of respondents said it would be at least six months before the negative effects of recession ended.

Training funds were 'wasted'

Much of the £20m spent every year by UK companies on employee training is wasted or misdirected, according to a report by Coopers & Lybrand, the management consultants. Mrs Sheila Drew-Smith, author of the report, said companies often viewed training as a waste of resources. "Employers must recognise that training has to be related to their business needs," she added.

Government hints at BR concession

By Philip Stephens, Political Editor

THE GOVERNMENT last night hinted that concessionary fares on British Rail, the state railway, could be maintained after privatisation.

In a move aimed at staying off a parliamentary defeat at the hands of disaffected Conservative MPs, Mr John MacGregor, the transport secretary, said he was willing to look at the possibility of statutory protection for discount railcards used by students and the elderly.

But Mr MacGregor indicated that the government would not yield to a separate demand by some Tory MPs that British Rail be allowed to compete for service franchises once the

railways are thrown open to private competition.

The British Rail privatisation bill, which returns to the House of Commons today, is expected to be at the centre of a stormy two-day debate with concern among the government's supporters about the political impact of privatisation underpinned by evidence of overwhelming public opposition.

Mr John Prescott, the opposition Labour party's transport spokesman, yesterday pledged to return the rail network to the public sector if the party won the next general election.

A Gallup poll published last week suggested that more than two-thirds of commuters opposed the privatisation of services.

Wembley fixture for BCCI creditors

By Andrew Jack

THE WORLD'S largest creditors' meeting is this week expected to attract an audience from as far afield as Egypt, Zimbabwe and China as aggrieved victims of the collapsed Bank of Credit and Commerce International gather in London.

Wembley Arena, the second largest indoor stadium in the UK, will host the event on Thursday when up to 1,000 people are expected to elect a creditors' committee, marking the culmination of an administrative process costing more than £1m.

Although the stadium is better known for ice skating displays and pop concerts, observers expect some drama as Mr Christopher Morris, a liquidator for the bank, delivers a speech about the handling of BCCI since it was closed down

in July 1991.

The formal part of the meeting should be over relatively quickly. All the law requires is a vote to choose the five-strong creditors' committee, who in turn approve the liquidators' fees and sanction their legal actions and decisions.

Then comes the unknown. Mr Morris's speech - which is just being finalised - will include answers to some of the 300 questions already received. Others will be submitted in writing as creditors arrive at the meeting. A lawyer will be on hand to urge caution in the replies.

"We believe there will be a lot of questions and a lot of emotion," says Mr Fred Goodwin, a Touche Ross partner. "We want to be as open as we can, and we will answer every single question in writing afterwards."

There were about 730,000

BCCI bank accounts worldwide, and several thousand other creditors. The liquidators advertised in 50 countries and sent out 50,000 letters. More than 3,800 responded, of whom just under 3,000 turned out to be creditors.

They were sent nomination packs with the manifestos of 25 candidates. One has since withdrawn and a further six were excluded early on because they were not creditors. Those remaining include an Egyptian diplomat, the liquidator of Rhodesia Railways, and a representative of the Isle of Man, residents of which have lost \$9m.

So far 533 creditors have said they will come. Another 528 have given their proxies to 177 others. A further 716 proxies have been allocated to the chairman.

The High Court called for the election of a creditors' committee in January. Until this stage

of the liquidation, it has argued that it would be too complex and costly to arrange. At Wembley, meanwhile, preparations have almost been completed by the 100 staff from the liquidators who will oversee the meeting.

It could represent a Wembley finale for the staff of Touche Ross based on the fifth floor of BCCI's former principal office in Leadenhall Street in the City of London.

Three staff have been taking about 100 calls a day from creditors - down from 1,100 on the day the bank was

Until last year it took Bell Atlantic, the Philadelphia-based telecommunications company, a month to connect customers to the long-distance carrier of their choice - unless they defected in the meantime. By late 1992, waiting time was down to a highly competitive three days and it is about to be cut to just a few hours.

In Dallas, an AT&T unit which makes custom-designed power supplies for personal computer manufacturers has slashed its design-to-delivery cycle tenfold since 1991, from 53 to five days.

And in Connecticut, IBM Credit, one of the few increasingly profitable parts of beleaguered "Big Blue", has squeezed from a week to four hours the time it takes to approve and issue financing deals.

These quantum leaps in productivity and competitive performance have all been achieved in the same way: by a radical type of organisational re-shaping called "process re-engineering".

Confusingly, it also masquerades under about a dozen variants of that name, depending on which consultancy is trying to promote its services, or which author wants to sell his book - of which no fewer than five have been published since December.

The fashion also misleads: Many a conventional "delaying", "downsizing" or "restructuring" (ie redundancy) exercise is being relabelled as re-engineering, to the extreme annoyance of the "father" of the subject, American consultant Michael Hammer. He also distinguishes re-engineering entirely from the popular "continuous improvement".

False impressions have also been created about its impact on employment. Re-engineering can cause striking job losses, but in many cases it creates none at all, Hammer says. Instead, companies often find that it improves their competitiveness to such an extent that they generate considerable extra business - and work to be done.

With a surging market share, IBM Credit now handles 100 times as many deals as before and has had to trim its headcount only slightly. Bell Atlantic and the AT&T unit have also boosted their market shares sharply and people displaced from their old jobs have been transferred to others.

Purist though he is, even Hammer hypes a little. In Re-engineering The Corporation, his book with James Champy which was published in the US this month, he

Process re-engineering is sweeping across the Atlantic. In a new series Christopher Lorenz looks at its disciples

Stepping out in a new direction



allows the chief executive of Taco Bell, the American-Mexican fast-food chain, to apply the re-engineering label not only to his organisation as a whole, but also to the rearrangement of his kitchens. That is over-egging things.

The hype is misleading in a different sense, too. Many consultants claim to be re-engineering "the organisation" or "the business", when in reality the human, political and technical challenge of the exercise is such that at least in large companies, they have not got much further than re-engineering one or two processes in a single subsidiary.

Exceptions in the US include parts of Texas Instruments, Ford, Kodak, Motorola and Hallmark Cards - where re-engineering has been far more extensive than a recent consultancy study suggested. As in almost all re-engineering, Hallmark's organisational changes are much more significant than those in its information technology, on which the study focused.

In Hammer's words, the essence of re-engineering is "starting over: beginning again with a clean sheet of paper". It does no less, he claims, than "reject the assumptions inherent in Adam Smith's industrial paradigm" - including both the division of labour and the need for hierarchical control.

Better than any expert's formulation, the practical actions of Bell Atlantic, AT&T and IBM Credit provide the key to what proper re-engineering is all about. Its essence lies in the way they have abandoned their traditionally fragmented, start-stop myriad of work tasks, routines and procedures, and have replaced them with a handful of unitary processes which have been designed from scratch to operate smoothly from end-to-end, starting with first customer contact and going right through to completion.

In most western organisations, orders and projects pass tortuously up, down and across a succession of separate, vertically structured departments of "functional" special-

ists, often waiting hours or days for each next task to be carried out. As Hammer puts it: "Companies consist of vertical silos built on narrow pieces of a process."

For Bell Atlantic, its original 15-30 day cycle contained only about 10-15 actual hours of work on each project; the rest of the time was consumed in waiting and departmental hand-offs.

For AT&T, the proportion of real work in its product development cycle was higher, but was slowed as badly, by 80 hand-offs and 24 meetings; these have now been cut to 17 and one respectively. For IBM Credit, there was a similarly slow hand-off process as each financing request passed through the hands of four different specialists.

In a re-engineered organisation, these previously separate tasks are replaced by a seamless process and functional boundaries are either bridged or removed entirely, with a "process owner" often overseeing everyone involved. Narrow job descriptions are abandoned.

At IBM Credit the four types of specialist have been replaced by a single, multi-skilled "deal structure", who can call on a small central pool of specialist back-up staff in the few cases where they are needed. At AT&T the succession of specialists in five different departments has been supplanted by a set of multi-functional "design cells" which handle each project from customer request right through to delivery. And at Bell Atlantic a "case team" now carries out all the previously separate tasks; soon, all their work will be combined into the hands - and brain - of one multidisciplinary "case worker".

A further facet of the changes at Bell Atlantic helps explain why there are, as yet, so few other convincing examples of "real" re-engineering.

To make its process changes effective, the company has already had to spend four years on a "culture change" programme aimed at replacing the old "command and control" mentality of managers and employees with "new behaviours" such as empowerment, teamwork, coaching, feedback and customer-responsiveness. That programme is still running.

Bell is no isolated case. A cultural transformation of this magnitude is vital to the success of re-engineering within any company, according to four Coopers & Lybrand consultants whose book is published on Thursday.

Since a string of other changes must be made at the same time - notably a refocusing of performance measurement and incentive systems from individuals onto teamwork - they argue that re-engineering requires sustained commitment by top management over a matter of years.

Thomas Davenport, an Ernst & Young partner, whose book on what he prefers to call "process innovation" is one of the most comprehensive, goes further. In many companies radical culture change has proved unpalatable and has blocked re-engineering, he says.

Even if re-engineering does not hit the cultural buffers, it is certainly a very tall order. As the Coopers team says, the financial, emotional, organisational, training and time-costs of "ramping up into a process-oriented business" are "not insignificant".

Re-engineering promises glowing rewards, in other words, but also great risk.

** HarperBusiness \$25. Published in UK on June 10 by Nicholas Brealey, £16.99.*

*** John Wiley, \$34.95/£24.95.*

† EBS Press/McGraw Hill, \$29.95/£25.95.

This series, which will run in the next few weeks, will examine European examples.

Training lessons from Germany

Alcan's UK mill needs to catch up, writes Kenneth Gooding

Ask Reinhold Wagner why productivity is so much higher at Alcan's aluminium rolling mills in Germany than at those in the UK and immediately he points to vast differences in the way employees are trained to look after the expensive equipment they operate. Alcan Deutschland employs 3,800 people and 250 of them are apprentices, each one being trained for 3½ years. The total includes 175 craft apprentices, and Wagner says that, as a matter of policy, Alcan always finds craft apprentices a job at the end of their training, even though the work at first might not be what they were trained for. The idea, he says, is to keep them in the production system. "This gives us a tremendously skilled workforce."

In 1991, when he took over responsibility for Alcan's UK metal rolling operations, which employ about 1,450, Wagner was surprised to find no similar apprentice programme existed.

When he began, each UK employee was taking twice as long to produce a tonne of finished metal. But that has been improving. UK operations are now 10 to 15 per cent less productive than in Germany. One way Wagner measures productivity is mill "uptime" - or time the mills are working normally against the total time available. Wagner says Germany needs to improve because "uptime" is about 85 per cent. In the UK it is only 70 per cent.

The big deficiency in the UK, he says, is that equipment is not maintained carefully enough. "And if the mill is not reliable, you can't expect to deliver on time."

At the beginning of the rolling process, aluminium is heated in re-melt furnaces. Wagner says that furnaces at Alcan's mill in Rogerstone, south Wales, consume 40 per cent more energy than comparable furnaces in Germany. Partly this is due to differences in equipment, but it is also partly "because of less attention to detail. And that comes back to training."

Alcan, based in Canada and

the western world's second-largest aluminium producer, started to reorganise its European operations as long ago as 1976 in order to prepare for the unified European market.

In 1987 Wagner, already chief executive of Alcan Deutschland, was handed extra responsibility when the parent company disbanded its European headquarters in Geneva to save money and to flatten its international management structure. He was also put in charge of Alcan's operations in Italy, Spain and Switzerland.

Another reorganisation in 1991 gave him responsibility for Alcan's rolling operations in the UK and, therefore, all the European rolling operations. Alcan has been spending heavily on these rolling operations. It has a half-share in Aluminium Nord in Germany, already the world's biggest aluminium rolling mill, where annual capacity is being doubled to 1.4m tonnes at a cost of DM900m (£360m). Another \$100m (\$38.2m) has been spent on a new, wholly owned foil mill in Italy linked with Nord. This has raised fears at Rogerstone that the 240,000-tonne-a-year plant has no future. These concerns intensified last month when another 200 job losses were announced there and 46 at associated mills in Glasgow and Falkirk. Rogerstone employed 3,000 at its peak; now the workforce will drop to 770. But Wagner insists the cuts simply reflect the sharp drop in demand from export markets, mainly Germany, and a need to bring capacity and costs into line with depressed circumstances.

He points out that Alcan has spent \$34m modernising Rogerstone since 1984 - including 28m of the £23m spent in the UK last year - and the plant is needed to provide specialised rolled products for the whole of Europe. It is also part of his strategy to build Rogerstone's share of the UK market to 60 per cent, a target it is close to achieving.

That is why, says Wagner, he must find ways of improving training - and consequently productivity - at the UK mills.

Tough talk on Newstalk

Mike Carlton, presenter of Mike Carlton's Morning Report V Radavan Karadzic, leader of the Bosnian Serbs.

MC "Is your signature worth anything?"

RK "No... My signature is null and void if the assembly do not approve it."

MC "I thought you said you'd resign if the people did not ratify this piece of paper."

RK "Yes. I offered my resignation to my representatives and they refused it."

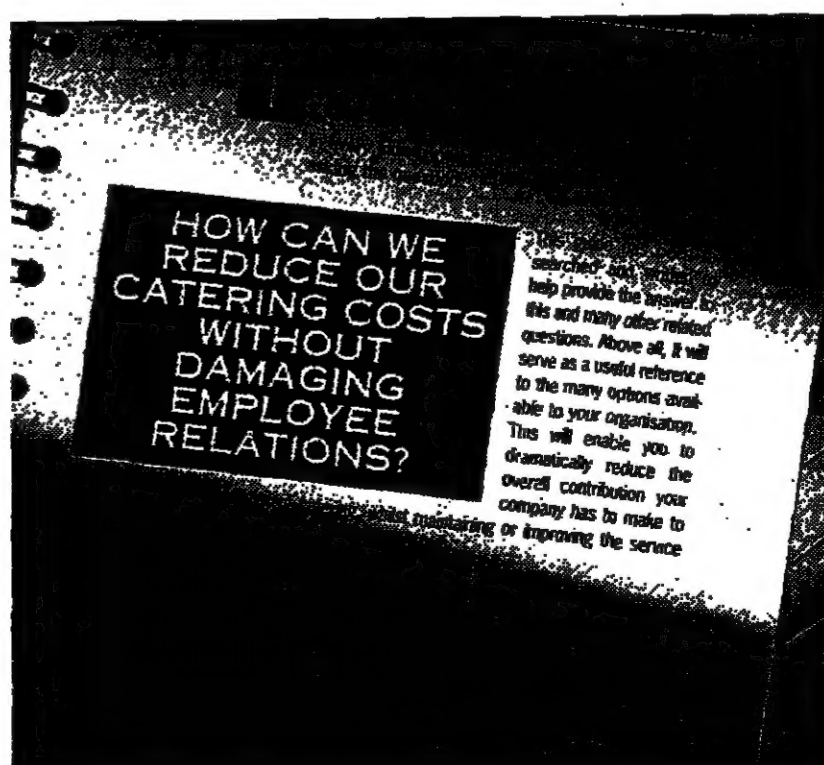
MC "Oh, come on Dr Karadzic, really... are you serious?"

RK "I am psychiatrist and I would like to be psychiatrist as soon as possible."

MC "You need one... It is hard to avoid the conclusion that you are an unprincipled liar in fact."

LBC NEWS TALK 97.3

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CONSTRUCTION CONTRACTS

Improving laboratory facilities Inland Revenue offices

CS PROJECT CONSULTANTS, the project management company of Cyril Sweett & Partners, has been appointed by the Ministry of Agriculture, Fisheries and Food to act as project managers for the preparation of a redevelopment proposal for the central laboratory at Weybridge in Surrey and the progression of Phase 1 of the development.

The overall redevelopment which is anticipated to cost over £200m will be phased over a 10-year period and will involve complex logistics management in decontaminating, demolition, new-build and re-occupation whilst maintaining CVL's business.

Headquarters

LAING MIDLANDS has won the contract to construct new operational headquarters for PowerGen in Coventry.

The construction contract is part of a £16m package which covers the land purchase and shell and core building - which is scheduled for completion in summer, 1994.

The building, at Westwood Business Park on the outskirts of Coventry, will have three floors and cover an area of 12,700 sq metres. There will be an in situ concrete frame with central atrium in steelwork and glazing.

Hospital work

KIER BUILD has been awarded a £13m contract to build an extension at the North Tyne-side General Hospital, North Shields for the Northern Regional Health Authority.

The facility (which will cost a total of £17m) will include 134 beds, a coronary care unit, a day hospital for the elderly, a pharmacy and facilities for outpatients, rehabilitation and additional X-ray rooms.

Alterations to the existing hospital will also be carried out. Work on the project, which is being undertaken in joint venture with M&E contractor CWS, begins at the end of June.

Completion is scheduled for November 1995 to prepare for the first intake of patients by early 1996.



An artist's impression of the proposed Inland Revenue building in East Kilbride, Lanarkshire

BOVIS CONSTRUCTION (SCOTLAND) has begun work on a £24m design manage construct contract to build new premises for the Inland Revenue in Lanarkshire.

Scheduled for completion at the end of 1994, the new Centre 1 is located at Killoch Glen, a greenfield site in Philipshill, a mile and a half from East Kilbride town centre.

The P&O company is managing the design and construction of the new development, a single building, comprising some 25,000 sq metres, of variable height up to a maximum

of 20.5 metres over four storeys. In addition to the provision of office accommodation for around 1,600 staff, the premises will also include a restaurant, leisure, social and child care facilities.

The linear plan of the building is designed to allow for naturally ventilated office space. Energy conservation through careful temperature control, zoning of heating controls and utilisation of solar gains when available, together with a state of the art lighting system will ensure that greenhouse gas

production is minimised. Each wing of the building will be connected back to one of three triple height internal atria. These spaces will connect the various departments to each other by accommodating communal lifts, staircases and meeting rooms; they will also act as thermal stacks which considerably increase the efficiency of natural cross-ventilation.

The project is on schedule for completion by Christmas 1994 and staff can expect to relocate to their new premises in January 1995.

Sewage disposal scheme in Turkey

WALLACE EVANS has won two contracts in Turkey with a combined construction value of £130m. Both have been won in conjunction with its Turkish associated practice, Seyas.

The largest contract is for the design of a new sewage disposal system for Buyukcekmece on behalf of Iski, the Istanbul water supply and sewage

disposal authority. Buyukcekmece is located west of the Bosphorus, and the treatment works will serve a population in excess of 800,000 people.

Valued at £100m, the work includes the design of 16km of tunnel, 11km of open cut sewer, a new sewage plant for tertiary treatment utilising the latest techniques for nutrient

removal, and a 1.5 metre diameter sea outfall. The design team was selected both on price and track record in solving environmental and engineering problems similar to those confronting Iski.

Work on the project commenced in April with Wallace Evans' involvement being managed at Haverfordwest.

International school in Hong Kong

GAMMON CONSTRUCTION, the Hong Kong-based company jointly owned by Trafalgar House Construction and Jardine Pacific, has won new contracts worth £30m (HK\$351m).

The largest is a £11.5m (HK\$134m) project at the Hong Kong International School at Tai Tam for a 10-storey school

building and two, five-storey, twin block staff quarters. The company will also carry out extensive external works including the construction of a landscaped terrace and slope, connecting bridges and an entrance ramp to a covered car park.

Other work includes two

design and construct contracts for a four-storey extension to a building at Fenwick Pier and staff restaurants for the City Polytechnic of Hong Kong, alterations to five floors at Windsor House, rehabilitation work on Chai Wan Road and marine vibrocoring at Chek Lap Kok airport.

PEOPLE

Aspiring novelist shunts coal into private sector

Ray Proctor, 43, British Coal's new finance director, retains a surprising sense of humour for a man who, if he makes a success of his new role, may work himself out of a job in a couple of years.

Proctor, who has spent his whole life in the nationalised coal industry since leaving Oxford in 1967, does not view his career quite so bleakly. Having trained as a management accountant, he worked on the financial side before moving into line management in 1983. Following the death of deputy chairman Ken Moses, Proctor was given responsibility for preparing the industry for privatisation.

He will retain his responsibility for privatisation when he takes over from Michael Butler



as finance director at the end of next month. It is a two year

appointment which should cover the period up to privatisation.

Proctor sees his role as two-fold - making sure that costs have been driven down to the level where the industry is profitable on a sustainable basis, and helping organise a successful privatisation.

Unlike some old mining hands, Proctor is one executive who seems perfectly happy with the prospect of taking the industry into the private sector.

However, he is not forgetting his outside interests. During his time as director of studies at the National Coal Board staff college he penned a well received paper-back, "Finance for the Perplexed Executive", and is toying with writing a

novel. "It's easier to write than a textbook, and you don't need to check the figures" jokes British Coal's new financial supremo.

Meanwhile, Andrew Horsler, 45, who like Proctor is another ex-Leeds grammar school boy and Oxford graduate, has also been appointed a member of the British Coal Corporation. He is executive director of marketing and replaces Malcolm Edwards who was ousted last year.

The Government has also reappointed Albert Wheeler, 59, deputy chairman and operations director, for a two year term running till March 31, 1995, and Kevan Hunt, 55, the employee relations director, has been reappointed for a one year term.

Sweetmeats for Whitehead

Having amassed a long string of advisory positions at blue chip companies across Britain since his retirement from the diplomatic service last summer, Sir John Whitehead, the former ambassador to Japan, has now topped up his collection with a non-executive directorship at Cadbury Schweppes.

Cadbury's chairman Sir Graham Day retired recently as did non-executive director Richard Hornby, and the beverage and confectionery company says that the combination of Whitehead's

"experience in international affairs and his specific Pacific Rim region expertise" made him a suitable addition to the board. The Pacific Rim last year accounted for 13 per cent of group sales and 14.5 per cent of operating profits.

But Whitehead is already a senior adviser to Morgan Grenfell, an adviser to Inchcape, Cable & Wireless, and Guinness as well as to the president of the Board of Trade and the Welsh Development Agency. How does Cadbury Schweppes think he will find the time to make a worthwhile contribution? "I would cite the example of Sir Graham Day" a spokeswoman rejoins. "He was an extremely effective chairman but also a very busy man. It can work well."

Swapping chemicals for food

David Fyfe, managing director of a division of specialty chemicals group Hickson International, is resigning to join the board, as chief executive designate, of a food company. An announcement is expected this week.

Fyfe had been managing director at MTM but left at the end of 1990 after disagreements with the then chairman Richard Lines.

MTM, most of which has just been sold to BTP, has been under investigation by the Serious Fraud Office concerning a shortfall in the 1991 profits.

Dennis Kerrison, chief executive of Hickson where management turnover has been considerable in recent years, says there has been "no falling out", adding that "for someone with his temperament, [the opportunity to be at the top of a company again] was an offer he could not refuse. There was really no chance of him coming on the main board here and he

did have a bit of a problem adapting."

The only executive directors on Hickson's main board are Kerrison and the finance director Michael Rowley. "We have a number of strong non-executive directors, including from the chemical sector. Also our chairman [Sir Gordon Jones] is of the very firm opinion that people have to earn a place on the board."

Kerrison said he was looking internally and externally for a replacement but that he himself would take charge of the division in the meantime. "We are in no rush" he added explaining that it was important to get the right person, given fine chemicals, the division Fyfe ran, contributed about half of group profits.

Fyfe, who has just turned 50, was on a trade delegation to Japan last Friday and hence unavailable for comment, but Kerrison said he expected him to depart from Hickson "within a week or so."



Imperial Chemical Industries has restored the balance between executives and non-executives on its board by appointing Charles Miller Smith, 53, an executive director of Unilever, as its fourth non-executive director.

Miller Smith is a Scot, educated at St Andrews University, and a qualified accountant. He joined Unilever in 1963 and has worked in various parts of the world, including a spell as vice chairman of Hindustan Lever, one of India's leading companies. After four years as Unilever's financial director he joined Unilever's food executive at the start of the year as director responsible for Southern Europe. He joins a board which includes Sir Anthony Pilkington, chairman of Pilkington and Paul Volcker, the former chairman of the US Federal Reserve.



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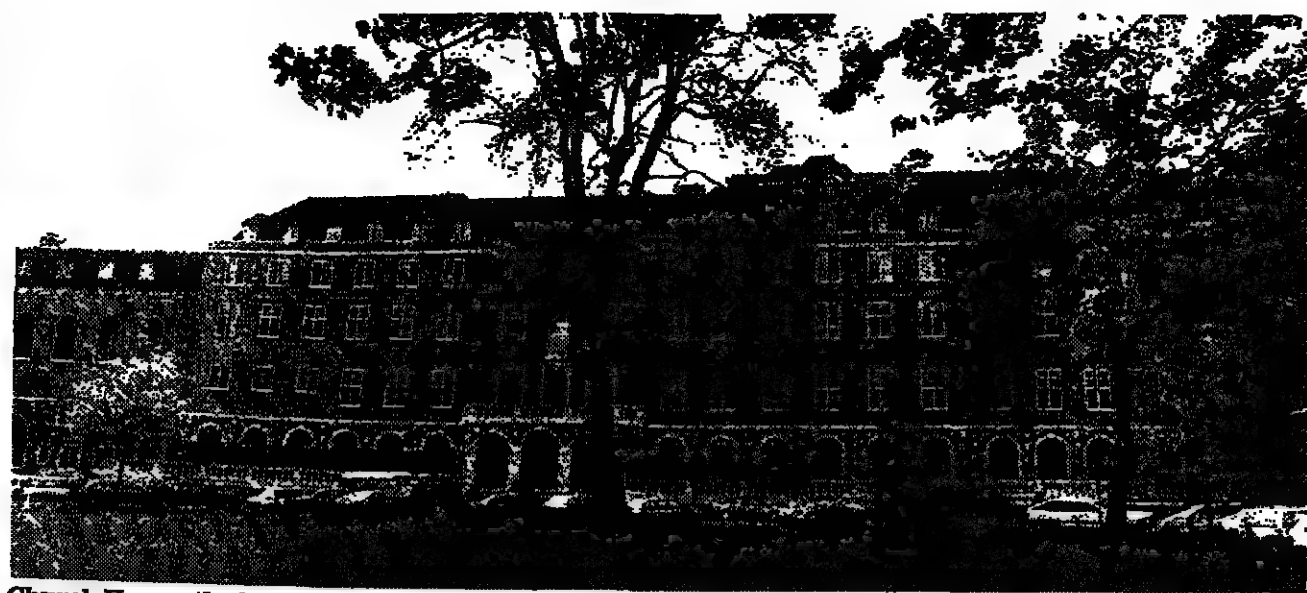
مكاتبنا في لندن

There are not many architects who have written the biography of one of their clients. Sir Herbert Baker (1862-1946) is the exception with his book *Cecil Rhodes by his architect*, published in 1934. The meeting between Baker and Rhodes in South Africa in the 1890s was crucial for both of them. Rhodes saw in the English architect the man to create his dream of an Imperial culture and architecture in southern Africa. It was through Rhodes that Baker acquired his knowledge of ancient classical architecture, since Rhodes sent Baker off on a tour in 1899 to look at Rome, Paestum, Agrigento, Thebes and Athens as well as ancient Egypt. The story of this shared vision of the role of architecture by both architect and patron is a revealing and fascinating one.

Rhodes' vision extended beyond architecture and politics to the permanent encouragement of learning through the Rhodes Scholarships at Oxford. It was appropriate that Rhodes House in Oxford, where his scholars live, should have been designed by Baker in 1929 in an unusual blend of classical and Cotswold styles.

These thoughts about Herbert Baker and that curious world of "Scouting for Boys" Imperialism that he shared with Rhodes, have been prompted by a recent visit to one of Sir Herbert Baker's masterpieces in London: Church House, Westminster, which was completed in 1940, and has recently been completely refurbished.

The Church of England does not have a Vatican; if it did it would be a continuation of the offices of the Church Commissioners, Church House, Westminster Abbey and Lambeth Palace. In fact Church House has become increasingly important in the life of the Church of England as it is now the permanent home of the General Synod and its Boards and Councils. As the Church of England seems now to define theology by the strange and unreliable processes of human democracy, this home of the Church's Parliament has



Church House, the home of the General Synod, expresses Sir Herbert Baker's personal vision of the church

Architecture/Colin Amery

Heart of the Church of England

acquired extraordinary significance.

In 1939 a decision was made to sell off Church House in much the same way as the Church has sold so much of its property. But this decision was determinedly challenged by the remarkable Mr Roy Lyon, a member of the Synod from Liverpool. He sensed the disastrous consequences of such a pointless move and fought like a tiger to persuade the authorities to change their minds. It was like David and Goliath - a victory for reason against bureaucracy and the property market.

Sir Herbert Baker was a contemporary and sometime collaborator (in New Delhi) of Sir Edwin Lutyens. The two men were to fall out in Delhi - perhaps friendly co-operation on that scale was doomed. Both men produced a vast number of important buildings in Britain and the Empire. Both men were building at a time when craftsmanship was still at a high level. Both men, in different ways, wanted to reinterpret architectural traditions

for the Imperial age. Baker believed in associational architecture; Lutyens believed in the pure aesthetics of architecture. Lutyens was the better architect.

This is not to say that Baker was a bad architect. If as thorough a reappraisal of his work was to be carried out as has been started by historians looking at Lutyens' achievements, then Baker's achievements might also shine. Church House is a very characteristic Baker building. He took the commission very seriously and wrote, with no modesty at all, "I was very happy at having this opportunity in perhaps my last great work of expressing in the fabric of the building some little of the story and the ideals, as I conceived them, of the Church of England."

Baker's expression of ideals largely takes the form of heraldry, symbolism, inscriptions and an enthusiasm for Rupert Brooke. He collaborated with the sculptor Charles Wheeler and the artist Thomas Monington to embellish his build-

ing. Like so much of Baker's work - South Africa House in Trafalgar Square, India House in the Aldwych and the Bank of England - the symbolism is only skin deep. Handsome though the circular assembly hall is in Church House, it is not a great piece of architecture. What is memorable is the great golden inscription taken from the old Church Service Book: "Holy is the true light and passing wonderful, lending radiance to them that endure in the heat of the conflict; from Christ they inherit a home of unfading splendour, wherein they rejoice with gladness evermore."

Baker saw this beauty as taking the form of what he called in his memoirs, "a galaxy of heraldry and symbols representing the different centres of the Empire". Somewhere at the centre of this galaxy was the Church of England.

The chapel is the most successful part of Church House, with its stalls for all the bishops and an altar which is a slab of black marble carried on

the shoulders of eight winged angels. As at the chapel for Haileybury School and the sanctuary at Pretoria Cathedral, Baker has designed here a curved apse with a sense of spaciousness and dignity.

I greatly enjoyed seeing the interiors of Church House because - although they can all now be hired for conferences and functions, and they have been well modernised and refurbished - they are not easily visible. What interested me most of all was the strange period atmosphere created by Baker for the peculiar world of official Anglicanism and English Imperialism. God and the royal family are intermingled in an English dream world of order and history. Church House is reticent behind its flint facade on Dean's Yard but more is made of the opera's Masonic rituals than apply chimes with the overall production team.

It is a *Flute* in modern dress (the Queen and her Ladies in Zandra Rhodes black tulle and lace, the temple priests in suits with yellow shirts and

Opera/Max Loppert

Mozart in the round

The big event of the first BOC Covent Garden Festival is the specially-mounted production by British Youth Opera of *The Magic Flute* in Freemasons' Hall. The recent vogue for seeking out "authentic" settings for opera - *Aida* at Luxor, say - promotes a kind of artistic tourism that at its banal worst can work crushing restrictions on the audience's own creative imagination.

In advance, one feared that the staging of an opera imbued with Masonic symbolism in the London home of the United Grand Lodge of England might risk just such touristic banality. Happily, such fears were groundless. This is a hugely enjoyable *Flute*, and the use of Freemasons' Hall has in no way limited its artistic vision.

It is indeed intriguing to sit beneath ceiling and stained-glass windows rich in images already well-known to every *Flute*-lover, but the advantages of this space for opera performance turn out to be much more basic ones. With its galleries arena configuration and acoustics reverberant without cloudiness, Freemasons' Hall proves itself an inspiring location for opera in the round; and the British Youth Opera production team - producer James Hayes, designer Ruari Murchison, lighting director Paul Pyant - have taken up that inspiration with wit, economy and flair.

Like the best of Earl's Court or Wembley opera productions, this *Flute* catches fire from the populist nature of the performance circumstances. A simple pyramid-shape crowns the centre stage area, on which the action unfolds at speed, with flashes of light and puffs of smoke to signal the scene-changes. No less but also more is made of the opera's Masonic rituals than apply chimes with the overall production team.

It is a *Flute* in modern dress (the Queen and her Ladies in Zandra Rhodes black tulle and lace, the temple priests in suits with yellow shirts and

shawls) and in Jeremy Sams's sparkling modern English translation. Apart from a disappointing marionette representation of the wild animals, it all comes together to provide fresh, truthful insights into the opera's many levels of meaning.

Under Jane Glover's alert, springy baton, the musical character of the performance is exactly gauged. Thomas Randle's manly, poetic Tamino is its star; Rosemary Joshua's bright-toned Pamina, Elisabeth Vidal's clean-toned Queen and Jonathan Veira's jolly, roly-poly Papageno bulk large among its assets. Good Ladies and chorus, excellent (real) Boys. There is a particular sound made by a large audience - of pleasure, sympathy, happiness - as it falls under the sway of this opera. It was a sound much heard on Saturday evening.

Mozart similarly divested of prosenium-arch formalities, Mozart not in the round but on the Queen Elizabeth Hall's open thrust-stage, is to be heard and seen in the current revival of Opera Factory's 1991 *Marriage of Figaro* production, conducted by Mark Wiggles-

worth. The blessings here prove rather more mixed. By plumping out the stage with Agnus Frescas household activities around the main scenes, David Freeman transforms the opera into an Ayrckbourn 18th-century farce with score by Mozart.

It is keenly, at times brilliantly done. For my taste, however, it is hectorically over-detailed, and its implications of character and situation end up by somehow limiting imaginative response to the emotional content of the music: in this case, more increasingly becomes less. The strength of the revival lies in its fine principals - Geoffrey Dolton's rubber-faced Count, Mary Hegarty's endearing, limpid Cherubino, Susannah Waters's quicksilver Susanna, above all Janis Kelly's Countess, who with a look, a gesture, a vocal inflection reveals more of Mozartian meaning than all of Freeman's narrative ingenuities put together.

(*Magic Flute*, Freemasons' Hall, WC2, royal gala performance this evening; *Figaro*, Queen Elizabeth Hall, SE1, in repertory until June 12, then Birmingham and Reading)



Geoffrey Dolton (left), Susannah Waters and Hugh Hetherington in Opera Factory's *Marriage of Figaro*

Bournemouth Symphony Orchestra

Radiant at 100

The music of Dutilleul is Gallic refinement at its most quintessential, hard to bring off without finely-tuned orchestral playing. We found that out a couple of years ago, when the Orchestra de Paris came to the Proms and turned the composer's Second Symphony into a thick and congested melange of noise.

On Saturday more music by Dutilleul - his *Timbres, espace, mouvement* - came to the Royal Albert Hall, but this time it shone with crystalline radiance. The improvement was thanks to the Bournemouth Symphony Orchestra, playing with all the fastidious care that the Parisians lacked. This is a comparison worth making, as there is a tendency not to judge the British regional orchestras on an international level, which may be unfair. Several major EC countries do not have even one orchestra that can match the Bournemouth SO's standards.

With this visit to London, under its principal conductor Andrew Litton, the orchestra was inviting applause. This year marks the centenary of its foundation and at a time when every orchestra in the country must be becoming nervous about funding, the Bournemouth Symphony Orchestra wanted a programme to make a splash and show how adventurous it is - a major orchestral score, a brief British fanfare (Tippett's No. 5) and a UK first performance.

The Dutilleul counted as that, because the composer has recently added an extra section to the score, where cellos nailing a long, unbroken theme to add to the feeling of far horizons (the "space" of the title). In its unobtrusive way, the piece works quite well as an orchestral showpiece. Everything was perfectly detailed, but also hazy, atmospheric, imaginative.

The main work, however, was Mahler's Second Symphony. For this, Litton must have worked hard with his musicians to get the playing so assured all round, from the strings striking their teeth into their first violent phrases with ferocious unanimity, to the proud brass perorations at the end (botched high C's from the trumpets apart). With Jean Rigby and Yvonne Kenny as soloists and a commendable showing from the City of Bath Bach Choir, this was in every way a technically impressive performance.

It was also exciting now and again, but not all the way through. Litton let the temperature drop in between Mahler's heated climaxes; but all the big moments came off splendidly, and the finale's vision of resurrection was properly awe-inspiring. When the Arts Council's own day of judgement arrives, the Bournemouth Symphony Orchestra will have done itself no harm with performances like this.

Richard Fairman

Rock

Bruce Springsteen

The Boss is back. No, not Margaret Thatcher - I can't imagine her in a black vest doing the business in the Milton Keynes Bowl - but Bruce Springsteen, dropping into middle England for his only visit this year.

You know where you are with Springsteen. He may be one of the dinosaurs of pop, with his man-of-the-people, belt-and-braces, rock and roll, but there has to be one big star who sings for the guy on the petrol pump, the girl at the supermarket check-out. And although a 44-year-old millionaire might not be the obvious candidate, Springsteen gives his all. He looks so much the part, the muscular trucker who would stop to help a bumble with a blow-out, although his designer stable has been cultivated into an *Envy* Flynnish beard and moustache.

The raspy voice is now almost a creak, but at the perfect moment he cracks the mirror across the star and his fans, darting across the stage like a young 'un, dangling over the ravine to press flesh, and flopping into the throng before being restrained by two heavies. He blows his harp, he belts his guitar, he leans into the mike, and sweats for it. He injects total passion into his songs of urban alienation, of the American dream unmade, of innocence betrayed by the system. He is the American rebel whom time has converted into the

American hero, even for the Establishment. And he seems to enjoy it all so much.

There is the odd sign of ageing. The subdued acoustic introduction where he seemed to parody Bob Dylan; the songs that dwell on the lack of choice on television as much as unemployment; the rather disappointing announcement that the need for an interval after only 70 minutes. He also tried to inject some unconvincing gospel into his act with "Satan's Jewelled Crown": sentiment is not his strength.

As twilight darkens, the man pulls out his heavy guns, those dramatic soaring rock ballads that may not be immediately distinguishable but which represent one of the most compelling riffs in contemporary music. You really believe "The night is made for lovers" while "The River" seems like the short story that sums up America. It may be an illusion: it is getting rather cold, and your neighbours in the throng are crashing down like drunken napepins.

But that is a great Springsteen attraction. He makes mundane reality heroic while really it is sitting for hours in a Milton Keynes car park waiting for the world to go home.

Antony Thornecroft

Theatre/Alastair Macaulay

On a Level

If your experience of theatre-going usually lies in the West End, you hardly know the half of what live theatre can be. The great marvel of the Theatre Royal, Stratford East, is its audience, which is harmoniously multi-racial, largely working-class, and highly appreciative. If a show like *On a Level* was given somewhere in the heart of London, it might just be a success - that is, after all, what happened to *Five Guys Named Moe* - but it would not belong there as it does in Stratford East, where viewers whoop at its every hint and take it to their hearts.

On a Level is written, directed, and performed by seven talented young black British women who call themselves the Bibi Crew. The show is a revue that, item by item, takes the life of black women from birth and childhood through to old age and widowhood.

Most of the items are comic, and at first the humour veers between Victoria Wood-type satire and teenage silliness. But, during the second half, all the skits start to add up to something larger than humour

- to a warm, simple, lyrical, tender, funny, unpretentious and open-hearted idea of what it is to be black in Britain today.

There is no serious racial tension about the show. You see and hear the comedy of blacks trying to conform to white ideals - kids with clothes-pegs on their noses (to make them sharp and pointed), women at the hairdressers desperate for "relaxed" hair. But you see too the lyricism of ordinary daily black life, and honour given to the black influence on Eurocentric culture. The Bibi Crew are black artists who can take pride in black British culture and yet make its many absurdities funny (especially to black viewers).

You have to have an ear for the finer points of Afro-Caribbean dialect to get all the jokes in *On a Level*, and at Stratford East the audience has such ears. But, even if such delicacies were lost on this white middle-class ex-Home-County-public-school viewer, he gradually fell for the show as a whole and three performers in particular: (in rising order) Suzette Llewellyn, Beverly Michaels and Joanne Campbell. Llewellyn in one sketch plays a frustrated teenage boy with such brilliantly acute energy that, even as you guffaw, you find you are also moved.

But to single out these three is to omit the show's most expansive moment - the song "Natural Love" sung by Janet Kay with great beauty and humanity. And it is to omit the fact that most of these numbers are feats of ensemble playing. These performers are happy to work together, and happy to make their audience happy.

At the Theatre Royal, Stratford East, until June 12

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At the Theatre Royal, Stratford East, until June 12

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/DANCE

Mikhail Baryshnikov brings his White Oak Dance Project to the Deutsche Oper on Wed and Thurs. A revival of Götze Friedrich's production of *The Ring*, conducted by Heinrich Hollreiser, gets under way on Fri and Sun, with a cast led by Deborah Polaski, Robert Hale, Matti Salminen and Siegfried Jerusalem. Repertory also includes *Die Zauberflöte*, *Der fliegende Holländer* and a John Neumeier ballet evening (341 0249). The final performance this season of Jonathan Miller's new production of *Capriccio*, starring Yvonne Kenny and Siegfried Vogel, can be seen on Sat where repertory includes the Nureyev production of *Sleeping Beauty*, Patrice Barte's production of *Minkus' ballet Don Quixote*, *Così fan tutte* and *Lohengrin* (200 4762). Steve Reich's *The Cave*, a new work for music and video premiered at this year's Vienna Festival, can be seen at Hebbel Theater from Wed till Sun (251 0144).

CONCERTS

This week's highlights are a Vienna Philharmonic Orchestra concert conducted by Riccardo Muti at the Schauspielhaus on Fri, and a Berlin Philharmonic Orchestra programme of Beethoven symphonies conducted by Claudio Abbado at the Philharmonie on Sun morning and next Mon and Tues evenings. The Schauspielhaus programme also includes Berlin Symphony Orchestra concerts conducted by Ken-Ichiro Kobayashi tonight (Schumann and Liszt) and by Stan Edwards on Sun (Britten's Spring Symphony), and a concert on Thurs by Orchestre National de Lille under Jean-Claude Casadesu, featuring Sarah Walker in Chausson's *Poème de l'amour et de la mer*. The Philharmonie has a concert by St David Chamber Orchestra tonight, a piano recital by Bruno Leonardo Gelber and a Wynton Marsalis concert tomorrow, and a Mahler programme on Fri with the Berlin Radio Symphony Orchestra conducted by Vladimir Ashkenazy (Philharmonie 2548 8232/Schauspielhaus 2080 2156).

THEATRE

The new Marlene Dietrich musical, starring Jutta Hübner, runs daily except Mon at Theater am Kurfürstendamm (300 6000). Theater des Westens has *Porgy and Bess*, daily except Mon (3190 3193). A new production of Ionesco's *The Chairs* is in repertory at Maxim Gorki Theater, along with plays by Chekhov, Shakespeare, Ibsen and Edward Bond (258 2783). Berliner Ensemble has Shakespeare's *Pericles* directed by Peter Palitzsch, daily till June 2 (282 3160).

● Tickets and information for

theatre, revues, concerts and nightclub shows available from City Center Theater und Konzertkasse, Kurfürstendamm 18 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9266).

NEW YORK

THEATRE

● *Angels in America* - Millennium Approaches: the first part of Tony Kushner's epic, free-wheeling play about gay life, AIDS, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200).

● *The Who's Tommy*: a stunning stage adaptation of the classic 1969 rock opera, a collaboration between its original principal author, Pete Townshend, and director Des McAnuff (St James, 246 West 44th St, 239 6200).

● *The Sisters Rosensweig*: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion of three American Jewish sisters in London (Ethel Barrymore, 243 West 47th St, 239 6200).

● *Oliver!*: David Mamet's powerful drama about political correctness and sexual harassment (Orpheum, 126 Second Ave at 8th St, 307 4100).

● *She Loves Me*: revival of the 1963 musical by Joe Masteroff, Jerry Book and Sheldon Hackick. In previews (Roundabout, Broadway at 49th St, 839 8400).

and Kenneth MacMillan's *Manon* (362 8000). State Theater New York City Ballet's *La Belline Celebration* runs daily except Mon till June 27. This week's repertory includes the first evening version of *A Midsummer Night's Dream* from 1982 and the rarely performed *Harlequinade* of 1987 (607 5570).

● *Avery Fisher Hall Tomorrow*: Kurt Masur conducts New York Philharmonic Orchestra in *Ives' The Unanswered Question* and Beethoven's Ninth Symphony. West Masur presides over NYPO 150th anniversary ball. Thurs, Fri afternoon, Sat: Masur conducts Brahms, Ravel and world premiere of a new violin concerto by Czech-born American composer Karel Husa (1921), with soloist Glenn Dicterow (875 5030).

JAZZ/CABARET

Blue Note: Nancy Wilson is this week's guest singer. Music at 21.00 and 23.30. Dining (131 West 3rd St, near 6th Ave, 475 8592).

Rainbow & Stars Bill Stritch, a pianist-singer rooted in forties and fifties swing, is in the midst of an engagement here. Closed Mondays (30 Rockefeller Plaza, 632 5000).

Russian Tea Room Julie Budd presents tonight's musical tribute to Dorothy Fields. Dining (150 West 57th St, 265 0947).

Carlyle Hotel Bobby Short is in residence at Carlyle Hotel, while Barbara Carroll presides at the piano across the hall in Bernheim's Bar (Madison Ave at 78th St, 744 1800).

Michael's Pub Nancy Marano and Eddie Monteiro are the current

attraction. Dining (211 East 58th St, 758 2272).

PARIS

OPERA

Opéra Bastille has *La nozze di Figaro* tonight and Sat, plus Queen of Spades tomorrow and Fri (4473 1300). Opéra Comique has performances tomorrow, Thurs and Sat of Jean-Louis Martinoty's production of *Ariadne auf Naxos*, conducted by Armin Jordan, and a cast led by Karen Huffstodt and Peter Svendsen (4286 8859).

Tomorrow at Maison de Radio France: Jeffrey Tate conducts Orchestre National de France in concert performance of Krenek's *Jonny spielt auf*, with a cast including Judith Howarth and Stuart Kale (4230 1516).

DANCE

The Nouveau Ballet International de Danse brings Britain's Royal Ballet to Paris next month for the first time in 40 years. The company will appear at the Théâtre des Champs Elysées between June 15 and 27 with five programmes, including *Mayravel*, *Swan Lake*, *The Judas Tree*, *Still Life* and the Penguin Cafe. A Month in the Country and *Gloria* (4952 5050). Ballet de l'Opéra de Paris will present two different versions of Giselle at Palais Garnier between June 1 and 17. The romantic version is staged by Patrice Barte and Eugene Poljakov, in a revival of their 1991 production based on the choreography of Jean Coralli and Jules Perrot for the work's premiere 150 years ago. Running in tandem will be Mats Ek's 20th century version, staged for the first

time at the Opéra and conducted by Richard Borynne (4742 5371).

CONCERTS

St Petersburg Philharmonic Orchestra, conducted by Yuri Temirkanov, opens a week-long Tchaikovsky cycle tonight at Théâtre des Champs Elysées (4952 5050). Sylvia McNair gives a song recital tonight at Châtelet Auditorium (4028 2840). Myung-Whun Chung conducts the Opéra Orchestra in music by Ravel and Prokofiev on Wed at Opéra Bastille (4473 1300). On Wed at Maison de Radio France, Marek Janowski conducts Orchestre Philharmonique de Radio France. In works by Haydn and Hindemith. Thurs: Leopold Hager conducts Haydn's *The Seasons*, with Justin Lavender, Mariette Kemmer and Peter Lika (4230 1516). John Poole conducts Groupe Vocal de France in sacred music by Mendelssohn and Thierry Escaich at Eglise Saint-Eustache on Thurs (4027 0880).

JAZZ/CABARET Blues vocalist and side-guitar artist Bill Wharton in residence this week at Lionel Hampton Jazz Club, music from 22.30.

THEATRE

● *Main Kampf*: Jorge Lavelli directs George Tabori's farce about Hitler. Till June 27 (Théâtre national de la Colline 4368 4360).

● *The Taming of the Shrew*: Jérôme Savary's Shakespeare production starring Jacques Weber and Christine Boisson. Daily except Sat, Sun and Mon till July 4 (Théâtre national de Châtelet 4727 8115).

● *L'Homme qui*: Peter Brook's stage version of Oliver Sacks' book The man who thought his wife was a hat. Till Sat (Bouffes du Nord 4607 3450).

ARTS GUIDE

Monday: Berlin, New York and Paris.

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.

Wednesday: France, Germany, Scandinavia.

Thursday: Italy, Spain, Athens, London, Prague.

Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230

Monday Super Channel: West of Moscow 1230.

Super Channel: Financial Times Reports 0630

Wednesday Super Channel: Financial Times Reports 2130

Thursday Sky News: Financial Times Reports 2030; 0130

Friday Super Channel: European Business Today 0730; 2230

Sky News: Financial Times Reports 0530

Saturday Super Channel: Financial Times Reports 0630

Sky News: West of Moscow 1130; 2230

Sunday Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1930; 2030

Samuel Brittan

Two deficits worse than twice one



A three-month period of falling UK unemployment is still not enough to establish that the peak has passed. The probability, however, is that unemployment has levelled off.

Even that, however, is remarkable, given that unemployment is usually a lagging indicator and that the forecasting fraternity expected much worse. The main danger to UK recovery now lies in a delayed effect from the European recession, which started after Britain's but is now of comparable severity.

There is not all that much scope for domestic demand to rise more quickly. The 5 per cent "output gap" shown at the bottom of the table is the Bank of England's central estimate of the gap between the actual level of output and that consistent with a stable rate of inflation. This could be an over-estimate and would have to be filled gradually and without more sterling depreciation.

Some 3 percentage points of the gap corresponds to the UK current balance of payments deficit. A sustainable recovery would involve taking up this part of the slack with exports or import savings. There is thus, at most, 2 per cent that could be taken up by an above-trend rise in domestic spending. If growth is already, or is likely soon to be, above trend, there is, as the National Institute for Economic and Social Research rightly says, little scope for further stimulus.

The main longer-term problem comes, of course, from the twin deficits: budget and balance of payments. What no one can say is whether they are like a bomb on a very slow fuse - as in the US - or one liable to blow up early, as in the UK in the 1970s.

The twin deficits have connected remedies: cutting the growth of spending, or raising taxes. (If such curbs are in the end offset by higher private-sector borrowing, they will still be worthwhile. For the balance

UK economy 1993 % of GDP	
Current account deficit	3
Available domestic slack	2
Output gap	5

of payments "problem" will then become a self-correcting private-sector one, as the Treasury once correctly argued.)

The usual argument against restrictive fiscal measures is that they just make a hole in the economy which would worsen the recession. That was the valid argument for Norman Lamont's "Augustinian" policy of £10bn pa of deferred tax increases. But, now that there are fairly strong signs of domestic recovery, it is time to start complementing them by a similar spending package.

It so happens that, by one of those suspicious arithmetical coincidences, the size of the current payments deficit, estimated by the NIESR at just under 3 per cent of GDP, is almost identical to that part of the budget deficit believed by the Treasury to be structural.

Many mainstream economists argue that freeing resources for exports and import-saving will not be

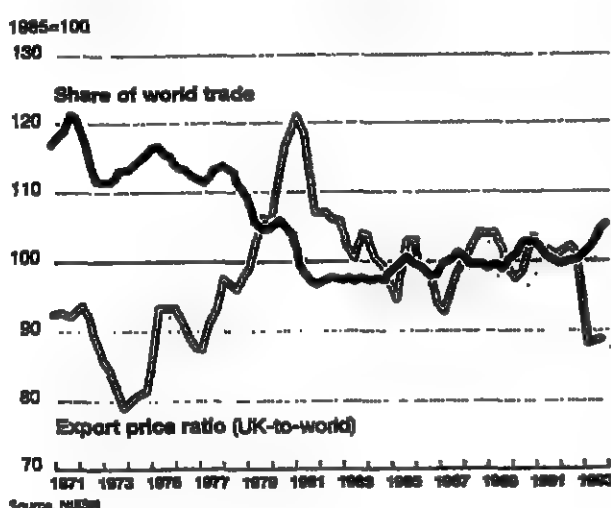
enough without another devaluation. That is highly perverse counsel. Even the UK's ERM departure was widely seen as competitive depreciation. A further dose would confirm the worst suspicions and help unleash a beggar-my-neighbour war.

If a further improvement in UK competitiveness is required, the most promising route would be a rate of inflation below that of competitors. Evidence that this is achievable is that UK pay costs per unit of output have been falling by nearly 3 per cent a year.

There are more signs that UK industry is competitive already and that the payments gap reflects a combination of overseas recession and insufficient UK capacity. In the 1980s, the UK share of world manufacturing exports was stable or even rising slightly, in strong contrast to the 1970s. This is despite the fact that the real exchange rate (measured by price competitiveness) was much less favourable than it has since become.

UK budgetary retrenchment will not close the payments gap while Europe goes into recession, but it will prepare the ground for improvement later and, meanwhile, sustain confidence.

UK manufacturing competitiveness



The latest bogymen of British Euro-sceptics is likely to be a poorly respected 52-year-old Fleming with a passion for soccer and federalism. He is Mr Jean-Luc Dehaene, prime minister of Belgium, who takes over the presidency of the European Community in six weeks.

Mr Dehaene's arrival at the helm of the Community could mark a sea change in the management of the EC. It will follow 12 months of cautious EC captaincy, first by Britain, then Denmark, both of which had to navigate through tortured domestic debates about the content of the Maastricht treaty on European union.

Mr Dehaene believes the Danish vote in favour of Maastricht last week provides a firm foundation for a more positive presidency. As he said in a speech on Thursday, the best response to the EC's political and economic problems is "not less, but more Europe".

With that in mind, Belgium has made implementation of the treaty its main objective in the presidency, whether or not the British parliament has approved the text by the time Belgium takes over on July 1. On paper, Belgium's credentials for leading a renewed drive for closer union are impressive. But recently, economic problems and separatist pressures - notably in the Dutch-speaking north - have taken their toll on the country's longstanding reputation as a laboratory for practical European federalism.

One of the six founder members of the Community, Belgium has been part of a formal economic union (with Luxembourg and the Netherlands) since 1944 and of a full currency union (with Luxembourg) since 1921. What is more, two weeks ago, the country's parliament approved reforms which transform Belgium into "a federal state".

This is the sort of record which has British opponents of closer integration reaching for their invective. But, in contrast with British Euro-sceptics, ordinary Belgians' principal fear is not that federalism will increase the power of the central state, but that it might abolish it.

A month ago, thousands of Belgians marched in Brussels against separatism. They worry that the reforms will provoke a split between Dutch-speaking Flanders in the north, and French-speaking Wallonia in the south, with the bilingual capital - a region in its own right - torn

Andrew Hill on whether a sea change is likely when Belgium assumes the EC presidency in July

Where federalism isn't a dirty word



between the two.

The chances of this happening are easily exaggerated by outsiders. The reforms are part of an evolution, the latest phase of which began in the 1960s with calls for more autonomy for Flanders and Wallonia and for the Dutch- and French-speaking communities. Legislative changes, including the latest, have introduced direct elections for regional parliaments and left the central government with responsibility only for the main lines of foreign and defence policy, internal security, the budget and social security.

It is true that a number of prominent politicians - most notably Mr Luc Van den Brande, the head of the Flemish government - see this latest reform as part of a wider process which could lead to even greater fiscal and financial autonomy for the regions. But this is unlikely to happen soon.

For Belgium, the development of European political union is essential to the success of its own constitutional reforms. "There is no contradiction between the reform of the Belgian state and the European integration process," says Mr Dehaene. "In my view, they are complementary."

He explains that both Belgian federalism and closer European political union should involve a decision-making hierarchy which responds to the needs of citizens - in other words, subsidiarity. In contrast with their counterparts in some other member states, Belgian politicians are trying to delegate appropriate responsibilities both to Europe and the regions.

But although Belgium sees no contradiction between its



Jean-Luc Dehaene supports 'not less, but more Europe'

own brand of federalism and the EC's objectives, its experience may illustrate in miniature some of the potential problems of closer European union, based on subsidiarity.

In Belgium, the process has been slow, and compromises have resulted in a very complicated political structure.

For Mr Dehaene, this spirit of compromise is an asset and the complexity of the solutions a necessary evil, because it avoids dangerous confrontation. But the bickering between Belgian politicians on the often incomprehensible detail of the latest constitutional reforms has alienated the Belgian people. That was

part of the reason why centrist parties lost support in the November 1991 general election, and extremist and maverick politicians cashed in.

Some senior Belgian politicians fear the latest reforms will merely aggravate that. As Mr Pierre Harmel, a former Belgian prime minister and elder statesman, pointed out this month: "Some of these reforms are going to make the healthy management [of the country], and co-operation between the federal state and its components very difficult."

Belgium is already suffering early symptoms of such a malaise. The three regional governments have just managed to arrange a meeting to discuss their different responsibilities after two months of argument about who should invite whom.

At the same time, as Mr Dehaene admits, arguments about the economic balance of the federal state threaten to upset the political consensus.

Flanders, economically more powerful than Wallonia, argues it should not have to "subsidise" social security payments in the south. Mr Dehaene insists social security rules will continue to apply uniformly throughout the country. The debate echoes the EC's often-acrimonious discussions about "cohesion" funding for poorer member states. In Belgium, the imbalance means national decision-making, notably on budget measures, is blighted by the need to keep both sides happy: raising taxes punishes the north, while cutting welfare penalises the south.

Just such an impasse nearly derailed the government itself in March during a cabinet debate on how to cut Belgium's large budget deficit in line with tough Maastricht economic criteria. Mr Dehaene had to offer the resignation of his centre-left government to persuade the coalition partners to agree an austerity package.

Such structural difficulties - and the complexity of the Belgian federal solution - are bound to have an impact on the six-month presidency.

Mr Dehaene has already made clear that, in areas where Belgium's regions now have responsibility for international relations, they will be represented at EC councils, further prolonging and complicating the lengthy round-table discussions at meetings of, say, culture ministers.

Britain and, to a lesser extent, Denmark - both criticised for putting self-interest above the spirit of compromise - will be watching carefully to see how the Community's most enthusiastic member manages the next six months.

There are already some indications that Belgium's aspirations to run a neutral presidency, free of self-interest, may be only skin-deep. Although preparations for the next phase of European monetary union (Emu) are a top priority for the Belgian presidency, it is Belgium which has suggested in the past week that those criteria limiting debt, budget deficits and inflation may have to be amended if recession continues.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Threat posed by cuts in ECGD staffing

From A J Sharpe.

Sir, Your story "ECGD review" (May 20) requires some comment in order to alert UK exporters to the likelihood that recent increases in the cover available from the Export Credits Guarantee Department may prove difficult to access if trade secretary Mr Michael Heseltine's review of staffing levels results in reductions in the already overstretched workforce.

The business of ECGD has recently increased, in some areas by as much as 50 per

cent, and this trend is expected to continue. Yet cuts in staffing were already proposed before the launching of this new review. The fact that the review may leave ECGD so understaffed that it will be unable to provide the promised service to exporters is not the only cause for concern. Following numerous previous reviews, morale among ECGD staff is extremely low, the result being that those with the most experience will take any opportunity to leave.

The impression given by

your article is that the review will only concern itself with "overheads". This is not the case. The number of staff who directly deal with exporters will also be reviewed.

Morale is worn out. A hit in ECGD's Cardiff offices, which are now threatened with closure. Instead of announcing a further review, it would be of more assistance if Mr Heseltine provided these staff with a guarantee that ECGD's operation will remain open there.

In order to ensure that the government provides a level of

export credit support to UK marketers which is comparable to that available to our overseas competitors, it is not enough just to announce increases in the amount of cover offered and reductions in premium rates. The government must also motivate the staff who provide the service.

A J Sharpe,
chair,
trades union side,
ECGD Whitley Council,
2 Exchange Tower,
Harbour Exchange Square,
London E14 9GS

Audit Commission strives to be open and accessible

From Mr David J S Cooksey.

Sir, Your correspondent, Mary Bowerman (Accountancy Column, May 20), correctly identified that the National Audit Office audits The Audit Commission, but questioned whether this was not "a rather incestuous relationship".

We have no evidence to support this assertion. We have attempted to be accessible by promoting the publication of internal and external assessments of our performance. We are subject to periodic financial management and performance reviews by our sponsoring ministry, the Department of the Environment. One such review has just been completed and we are encouraging the

ministry to publish the report as part of the process of opening up the Audit Commission to public scrutiny.

It is for government, and not the commission, to define our audit arrangements. If it were to respond to this demand and create a new independent auditing body for this purpose then we would welcome the new arrangement.

But I wonder how long after its formation we may expect a further article in the FT asking who audits the new auditing body?

David J S Cooksey,
chairman,
The Audit Commission,
1 Vincent Square,
London SW1P 2PN

Assessment of UK beer prices supported by the facts

From Messrs John Wakely and Christopher Wickham.

Sir, In response to Robin Simpson's criticism (Letters, May 19) of our report on the European brewing industry ("UK brewers top list for dear beer", April 6), let us point out a few facts.

Productivity figures which feature in our report came from data published by Efta/Combined Statistics, a body that receives its information from brewing societies, including the UK Brewers Society.

On price, we deliberately focused on list price to aid European comparisons. Is Robin Simpson suggesting the UK brewers give a larger discount to supermarkets than, say, German brewers give to

German supermarkets?

In summary, the UK Brewers Society seems to suggest that UK beer wholesale prices are not high. It would appear the UK government disagrees - thus, the Monopolies and Mergers Commission's supply-of-beer order which resulted in extensive pub disposals by brewers. Foreign brewers disagree - none has made any move to acquire a UK brewer. UK customers disagree - the trade deficit in beer continues to worsen. Finally, the stock market appears to disagree, otherwise the share price of brewers would not be so low. John Wakely, Christopher Wickham, Lehman Brothers International, One Broadgate, London EC2

BBC's Business Breakfast: its audience and its objectives

From Mr Paul Gibbs.

Sir, The Financial Times is regarded - rightly - by most people in business as a journal of record. It is unfortunate therefore that the review by Bruce Fireman of BBC's Business Breakfast (Arts: Television, May 19) should have drifted so far from the standards of accuracy and fair reporting which the paper normally sets for itself.

First, let me correct factual errors. It is not true, as Mr Fireman says, that "Business Breakfast has an average of only 190,000 viewers". According to the industry figures, our audience ranges from 200,000 at 6am to 400,000 at 7am. The weekly audience reach - the number of people who tune in for some part of the pro-

gramme - is around 1m.

Now the distortions: it is simply not a fair description to say that we present national, international and local news, sport and weather, broken up with reports from our correspondents around the world. The non-business components account for about 15 minutes of an hour's programming.

Mr Fireman glibly suggests that the presenters are arithmetically challenged because in our market reports there is occasionally a difference between the figures which are read out and those which appear on the screen. The explanation is simple - the data we are giving comes from a live screen which is being continuously updated. The presenter reads directly from the

screen. The studio graphics system takes a little time to convert the figures into caption form.

He says that we have fallen back on the idea of importing journalists as experts. We have not. But when it is clear that the most knowledgeable person on any subject is a journalist, we turn to that journalist.

Finally, Mr Fireman charges us with failing to do something we are not attempting to do. He suggests that we should realise - as Earl Brian of the Financial News Network in the US did - that "the real demand for a daily business programme was from the sort of people who sat around watching the screens in stockbrokers' offices". He must be aware that the reason FNN

went bust was because it failed to find a viable audience.

While we are interested in being watched in the City, we are also concerned to address a much larger public by making business, economic and industrial news accessible to the widest possible audience.

Paul Gibbs,
editor, Business Breakfast,
BBC News & Current Affairs,
Wood Lane, London W12 7RJ

Correction

An article on the British Tourist Authority on Saturday quoted a speech by Mr Peter Brooke, national heritage secretary. The speech was, in fact, made by Mr Robert Key, national heritage minister.

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Monday May 24 1993

Mr Clinton and Bosnia

THE US and four fellow members of the United Nations Security Council have acknowledged, by the intensity of their weekend negotiations over Bosnia, that the moment of truth in this war has arrived. The 13-point communiqué proclaims an international determination to contain the war. But the clearest if unstated message from Washington is that this common front is more facade than reality, largely because the US is unwilling to get involved on the ground.

Monitoring sanctions

If tighter sanctions are to be effective, they must obviously be monitored internationally at the Serbia-Bosnia frontier. But the Yugoslav authorities have already announced their rejection of international monitors, and the Washington communiqué weakly indicates that there will be no attempt to override Serbian objections. If this is a measure of the determination of the international community, we may be sure that Mr Milosevic will conclude that he is free to pursue a goal he has always pursued - a greater Serbia.

The five-power communiqué also endorses the concept of "safe areas", but it does so in terms so lukewarm that it is hard to believe that this is the pledge to serious guarantees of territory for the Bosnian Muslims.

No U-turns on the railway

THE GOVERNMENT has scarcely a friend in the world when it comes to the privatisation of British Rail. That much has long been evident. Now even its own backbenchers are in ferment, threatening to revolt against the Railways Bill in parliament this week if the government fails to accept new clauses that would protect network-wide rail card schemes and give British Rail the right to bid for franchises.

The fact that such hostility exists is hardly surprising. It is an indictment of the government's failure to provide satisfactory answers to many legitimate questions about how privatisation will work. The consequent vacuum of information has been filled by the belief that the complexities of the government's plans will far outweigh any benefits they bring, and that passengers will be left worse off than ever.

This is a more than a pity, for some simple truths have been forgotten as a result. One is that few people believed Britain's railways were satisfactory before the government came up with its privatisation plans. Another is that few people thought the railways had been satisfactory at any time during their 45 years of state ownership. The political complexion of the government in office. A third is that few who give much serious thought to the matter would forecast a change in this state of affairs in the next 45 years, particularly in the light of the competing demands on public expenditure which the railways must expect to face.

Freedom of access

It remains the case that privatisation offers the best hope of giving Britain the railways it wants. A simple sell-off would have been one way of achieving that, but the scale of British Rail's losses militated against that option, and it would simply have converted a public-sector monopoly into a private-sector one. So instead, the government has decided to create an environment for competition by separating track infrastructure from train operations and giving freedom of access to all would-be train operators. The same trend is taking hold across Europe.

In fact, the first stages of this process constitute a very modest

a military contribution from a wide range of countries. The (un)stated US undertaking, that it may go so far as to use air power to help to protect UN troops in the safe areas, is manifestly no substitute. It merely reinforces the message that the US administration does not want to get involved.

Clear message

President Clinton's wariness is understandable, to the extent that there are no good options facing the outside world. But caution is not in itself a policy, and by now American hesitation has become profoundly counterproductive, because of the clear message of tacit acquiescence it sends to the Serbs. An American contribution to an international contingent for protecting the safe havens would reverse that message and so reinforce the credibility of the undertaking that the numbers of soldiers required, and the dangers facing them, might both be much reduced.

The European Community is under a similar imperative. So far the main burden of Europe's military contribution to the humanitarian operations in the former Yugoslavia has been borne by France, Britain and Spain, in that order. Even if Germany can claim particular impediments, it must soon decide whether to exercise the political responsibilities consonant with its newly recovered sovereignty. The other member states should already be pulling more weight, as required by the declared objectives of the Maastricht treaty. In partnership with the UN, the European Community has been in the forefront of international efforts to press for a settlement in the former Yugoslavia. Logic and self-respect demand that all the member states which can should live up to the responsibilities they have implicitly assumed.

This is a moment of truth, not just for the war in Bosnia, but for the claims of the international community to promote a better world order. If these efforts fail in Bosnia, then the US, the EC and the new Russia will all bear a heavy responsibility. And the new and fragile role of the UN as an instrument for peace-making in the post-cold war world will suffer a lasting blow.

Along Upper Grosvenor Street in London, near the chic hotels of Park Lane, some familiar symbols have started to appear. A couple of brass plates alongside the street's private banks now bear trademarks seen on suburban high streets throughout the country. The British high street banks are starting to treat richer customers differently.

Barclays has just joined Lloyds by opening a private bank for British customers on Upper Grosvenor Street. The bank has started to make discreet approaches to the richest individuals in its 2,300-branch network. It is asking to manage the funds of those with £250,000 or more in liquid assets. In return for substantial fees, it offers them an elite service.

Private banking services are one part of a much larger effort by British banks to end a tradition of offering largely the same service to everyone. For years, anyone who has walked into one of their 12,000 branches has been given an account, the chance of an occasional chat with the manager and some leaflets about other products.

This is now changing, as banks strive to sell more products and services. Most believe they have wasted money by offering the same products through the same delivery channels to all. They are trying to increase revenues by allocating more management time to customers who are likely to repay the effort, and devising new ranges of products to suit them.

Most banks think the most worthwhile customers are likely to be the better-off. This does not mean just the wealthy who are enticed into private banks. Banks such as Barclays and National Westminster have launched experimental services for professional employees. They are being allocated individual managers to deal with.

Few banks will admit this strategy of "segmentation" means a reduced service for mass market customers. Yet managers who now advise professionals will not be advising others. "Our more junior staff are being trained to a level where they can deal with most customers' needs," says Mr Geoff Ellerton, Midland's planning director.

This drive is partly to cope with the spread of accounts in the 1980s. "As a colleague said the other day, 'Only posh people used to have bank accounts,'" says Mr Larry Cattle, NatWest's head of customer relationships. But the demise of weekly pay packets and competition to attract customers have substantially widened access to accounts.

The democratisation of bank accounts did not matter much in the economic expansion of the 1980s. Most people had disposable income for mortgages, and banks could earn high levels of interest on their deposits. But with the recession, many newer customers no longer have the surplus cash required for profitable accounts.

Yet the drive is mainly an attempt to combat a basic problem

with personal customers: that they do not buy enough products. Most people are accustomed to buying mortgages from building societies, and savings products from insurers. They do not regard high street banks as retailers of a variety of products in addition to money transmission services.

Thus Lloyds Bank sells life insurance products through its Black Horse Financial Services to only 16 per cent of customers, although 61 per cent of British people hold such policies. "We are trying to ensure our customers do not just spend a tiny amount of their disposable income with us," says Mr Brian Pittman, chief executive of Lloyds.

The first step is to identify customers who may buy other products. Not surprisingly, the banks' first target has been the better-off. All of them insist that it is not the sole criterion. "It would be far too crude just to divide our customers into socio-economic groups. People are different ages, and come from different places," says Mr Pittman.

Credit where it is needed

Sitting in the front room of her council house in Coniston Grove, Bradford, Ms Lesley Clayton watches £500 counted out in front of her.

The money, which will use to buy clothes and birthday presents for her two small sons, is to be repaid at 88 a week for a year. The annualised percentage rate of interest (APR) on the loan is 168.2 per cent, writes John Gapper.

Ms Clayton, an unemployed single parent living on social security of £28 a week, is content with the terms. It is the second time the credit company Provident Financial has lent her money. She did not consider asking a bank. "I've never dealt with a bank. If you don't have capital, they won't lend to you. You can't blame them really," she says.

Ms Clayton's assessment of the attitude of banks towards the unemployed and the low-paid is increasingly accurate. Many were welcomed by banks in the 1980s - 45 per cent of the 1.3m customers who repay loans weekly to Provi-

dent Financial have cheque accounts. But now they are less in demand. "In an ideal world, we wouldn't have them on the books," says a banker.

Yet as banks concentrate their sales efforts on "high net worth" professionals, other lenders are flourishing. Provident Financial is the biggest provider of unsecured credit to poor people. The company, founded in 1880 by a non-conformist philanthropist, raised profits on weekly credit by 18 per cent to £45.7m last year.

Despite criticism of collected credit by consumer groups, "the Prov", as it is known, also appears to be popular. In a survey by an independent market research company, its service was rated at 4.5 on a scale of 1 to 5 by its customers, compared to an average 3.8 rating for other banks. Ms Clayton agrees. "They show you what you're let-

ting yourself in for," she says. The person showing her is Mrs Eileen Boshier, one of 10,000 collecting agents for Provident. Ms Boshier, who lives nearby, spends about 15 hours a week collecting weekly payments from her 88 customers. She earns about £25 a week from the 7.5 per cent commission on gross collections of £1,250. "It's a bit like being a social worker. I even do the shopping for some," she says.

Provident makes small loans - an average of £350. For most banks, loans of less than £1,000 do not cover costs. The APR rates on its Handycash loans range from 105.4 for a two-year term to 353.9 for a 20-week loan. Provident emphasises that its APR rates include all charges, in contrast with banks' rates on overdrafts which are around 20 per cent.

It allows borrowers to miss occasional payments, but is strict about pursuing loans. Although it makes full provisions against all loans more than 12 weeks in arrears, it takes borrowers to court. It also insists on agents continuing to call years after a loan has been written off, even in search of repayments as low as 50p.

In the 1980s, Provident diversified into retailing through catalogues and stores where vouchers could be exchanged for goods. It feared that the ending of the weekly wage packet in manual jobs could doom weekly credit by taking cash from households. But the firms were unfulfilled, and it is now disposing of catalogue and store businesses to concentrate on cash loans.

Mr Howard Bell, managing director of personal credit, says it is returning to its roots partly

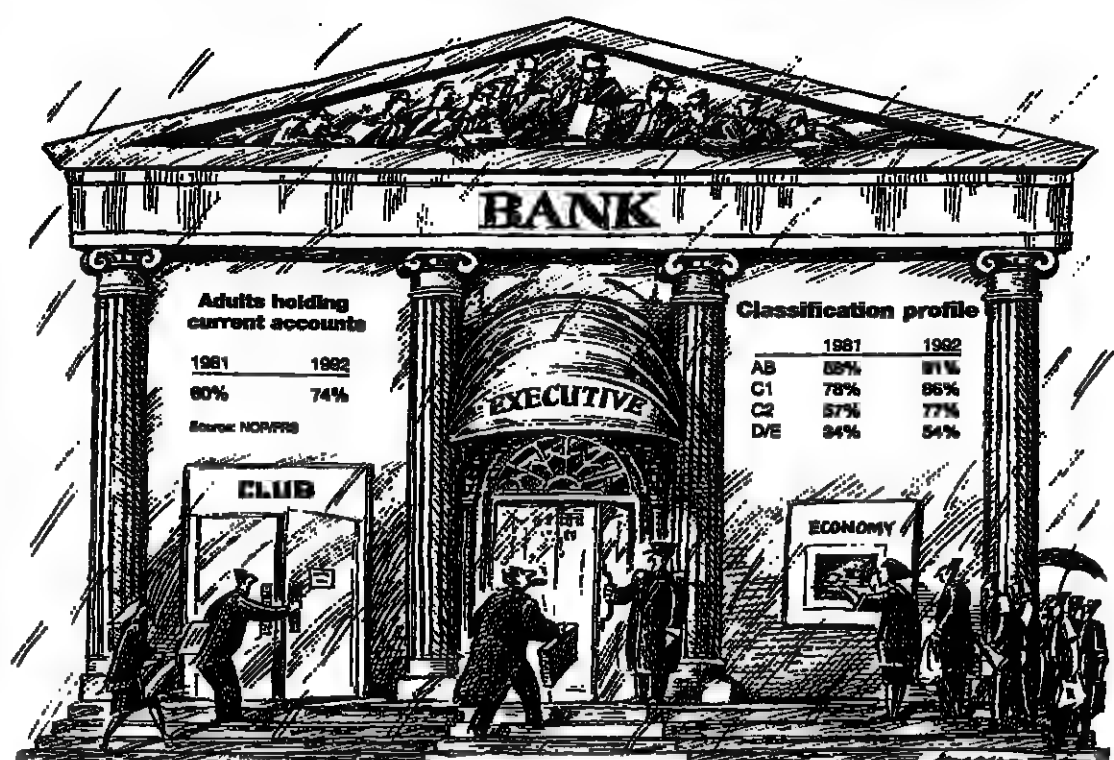
because it no longer feels threatened by banks. "Banks moved down market in the 1980s, and they got their fingers burned," he says. He says banks lack a network of local agents to judge the risk of unsecured lending to people with few or no assets.

Provident is also at odds with banks in its scepticism about selling other products through its network. Having experimented with agents selling products such as holidays, it has given up. "Our agents are simple folk, and everything else is more complex than cash loans. If people want to buy insurance, we'll lend them the money," says Mr Bell.

As banks spurn the poorer customers they took on in the 1980s, the prospects of the 900 credit companies that lend to 4m people appears healthy. Banks' increased use of credit ratings to repel such customers is only likely to add to demand for Mrs Boshier's loans. "Let's face it, we're all human. Anyone can have a bad time," she says.

For richer, not poorer

UK banks are trying to increase revenues by devoting more time to selling services to high earners, writes John Gapper



expert the advice must be. This means banks cannot sell their products the way supermarkets sell theirs. They must disentangle delivery mechanisms to allocate more expertise to more complex products. This had led to the third step. Banks are trying to ensure that managers spend their time with customers who will pay for it - either directly or indirectly. Both Barclays and NatWest are now experimenting with new services for professional and managerial customers. They are being allocated a manager who will visit them and then supervise their account.

Barclays charges £40 a year for what it calls its Premier service, which now covers 16,000 customers. NatWest does not charge the customers to whom it allocated "personal account executives", but instead relies on raising the value of the accounts by selling its financial products. Each executive has a target of about £80,000 of new business a year.

Mr Gordon Rankin, Barclays' deputy director of personal sector marketing, says the bank is aiming at customers who earn at least £30,000 a year. "Of course, we recognise that very few are going to put all their financial eggs in one basket, but we want to get a greater share," he says. It believes personal managers will achieve this objective.

But there is limited evidence so far. NatWest says that the value of accounts managed by personal account executives rises after 18 months, partly through the selling of other products and partly because cash balances increase. Yet there is reason to doubt whether such customers will buy many products from their banks, despite having the money to do so.

The problem is that professionals and managers are likely to be more discriminating about what they buy. The TSB, which has relatively few high-paid customers, has been far more successful than other banks in selling insurance and other financial products. About 90 per cent of its customers are from outside the highest AB social groups. Yet one-third of its customers who have life insurance bought it from TSB, roughly double the proportion at Lloyds.

Mr Peter Ellwood, TSB's chief executive, rejects the view that banks should concentrate on higher paid customers. He argues they will continue to shop around for financial products. "People with that amount of discrimination demand the most competitively priced products," he says. Mr Ellwood argues the average TSB customer is more likely than a richer consumer to buy its own products.

If so, the banks that are expending increasing amounts of management time on the better-off face a stiff task. But they are already concentrating their efforts on carefully chosen customers. And whether they succeed or not, they have started to withdraw their old welcome for all-comers.

An insider speaks out

■ So who knew what, and when? These are the questions being asked as Franz Steinhilber fights to retain his job as Germany's most powerful union boss in the wake of the disclosures about his recent winning streak on the German stock market.

Karl Otto Pöhl, the former president of the German Bundesbank, is in no doubt that Steinhilber must have had some idea of the impending decisions at Daimler-Benz where he is on the supervisory board.

"As a private citizen I am convinced that Steinhilber had information, for I was myself deputy chairman of the supervisory board at VW during the 1970s, and I know how it works. Of course there is no officially recorded information," he told Welt am Sonntag, the leading German Sunday newspaper.

Even if Steinhilber did not know about the plans which led to a sharp rise in the share price, there were others who probably knew something was afoot. Prior to the event, Deutsche Bank chief executive Hilmar Kopper, whose group has a big stake in Daimler, was asked about plans to do away with MAH, which holds a big stake in Daimler. All he would say was "watch this space". But two weeks before, Deutsche board member

Ronaldo Schmitz had hinted to fund managers in Düsseldorf that action was likely before Deutsche would do anything to reduce its 28 per cent Daimler stake.

Pöhl's real concern is that the allegations of insider-trading against Steinhilber could damage Germany's international reputation as a financial centre, especially in the US. American investors found it hard enough to understand why leading trade unions were on the supervisory boards of German companies in the first place, says Pöhl.

If they now believed that such board members were speculating in the shares of their companies, "they will prefer to avoid the German share market altogether".

Muti groupie

■ It is not only a love of opera that GEC boss Lord Weinstock and soprano Dame Elizabeth Schwarzkopf share. They also have a rather specific taste in records judging by their choices for the BBC's Desert Island Discs programme.

The German-born opera singer made a name for herself by choosing eight of her own records, and yesterday Lord Weinstock restricted his musical selections to the works of his old friend, the 51-year-old conductor Riccardo Muti. He admitted he was a "Muti groupie" and said that he had been present at all the performances chosen. His choice of book was If

OBSERVER



'Norman's got the recovery in virtual reality'

This Be a Man, by Auschwitz survivor Primo Levi, and his luxury was a photo album of his family, friends and horses.

GEC seems to be on a bit of a roll at the moment judging by the improvement in its share rating. Indeed, Lord W, 58 in July, let slip that he has just had his office repainted.

My Tiny story

■ Still on the subject of the captains of industry and their peccadilloes, Tiny Rowland's farewell article in The Observer yesterday was more interesting for what the Louro chieftain left

out, than what he said. The late Sir Basil Smallpeice, who led the famous move to oust Tiny 20 years ago, does not even rate a mention, for example.

However, Rowland does have one sound business tip picked up from his one-time business partner Daniel Ludwig, the reclusive US shipping tycoon who died last September: "Never get into a pissing match with a skunk."

"I haven't always found it easy to follow this sage advice," admits the 75-year-old Rowland who obviously feels that in Ludwig he had met one businessman who really understood him.

Just kidding

■ Imagine the horror felt by gold bulls, who have been bellowing like mad about the recent gold price rise, when the latest International Monetary Fund statistics showed that in March Belgium's central bank had sold another 60 tonnes of the metal.

For there is one thing virtually guaranteed to send the gold price spiralling back down again - any clear indication that central banks have once again started to sell off their gold stocks, about 34,000 tonnes or 10 years' supply.

Belgium appeared to have chosen the moment when the gold price in US dollar terms hit its lowest level in seven years for its third sale of central bank bullion. It previously sold 127 tonnes in 1989 and 202 tonnes in 1992.

But there were sighs of relief all round when the Belgian bank admitted that it had sold no gold. It had provided the IMF with the wrong figures because of "human error".

Big round numbers

■ What's £20m between friends? Not much if the friends are the creditors and administrators to Maxwell Communication Corporation, it seems.

Unkind sorts might suggest that accountants Price Waterhouse can't add up, since their letter to creditors last week suggests asset realisations of \$776m-£1,350m, while the accompanying detailed disclosure document suggests a range of \$781m-£1,364m. But the discrepancy is simply due to rounding the figures to the nearest, hey, \$25m.

One thing is certain. The discrepancy is nowhere near enough to cover all the professional fees involved - more than \$78m to date ... and rising.

Rock bottom

■ The Welsh Mountain Zoo in Colwyn Bay has come near to the ultimate in bad taste in celebrating its 30th birthday. To mark the occasion, it is staging a "Who's Poo?" quiz, in which visitors are challenged to identify various animals by sniffing samples of their dung.

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INSIDE
Banesto chairman wants US listing

Banesto, the Spanish commercial bank which recently outlined plans to raise Ptas130bn (\$1.04bn) in new capital, told a tumultuous shareholders' meeting at the weekend that it would not be paying a final dividend for 1992. Mr Mario Conde, Banesto chairman, said Banesto would seek a listing on the New York Stock Exchange after its capital increase. Page 17

Tokyo builders forecast falls
Japan's leading construction companies forecast sharply lower profits this year, expecting that the fall in private orders would outweigh the new contracts arising from a planned expansion of public works spending. Page 17

Hope for Maxwell creditors
Mr Mark Homan, head of insolvency at Price Waterhouse, gestures towards a chart of more than 400 companies in Maxwell Communication Corporation on his office wall. After 18 months on the case, the joint administrators to MCC - including Mr Homan - may be able to squeeze some returns for creditors from these remnants of the late Mr Robert Maxwell's empire. Page 16

Nadir investigation turns to bank
The trustees in bankruptcy to Mr Asil Nadir, the fugitive businessman, are investigating a Turkish bank which made a loan last year secured against a house bought for Mr Nadir's girlfriend. Page 16

Loahn in courtroom tussle
Mr Carl Loahn, the former corporate raider, and Mr Leon Black, once a banker with Dresdner Bank, have been arguing for months over a company. The men, who sometimes play each other at tennis, became involved in a game of financial ping-pong. Matters will come to a head in a Manhattan courtroom today. Page 17

Prospective p/e ratio
The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.4, according to IBES, the consensus estimates service (last week 14.4). This compares with an IBES estimated p/e for the "500" of 18.8 (18.6) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 16.25 (16.55).

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BTR close to £100m investment in China

By Peter John in London
BTR, the industrial holding company, is expected today to announce a £100m (US\$154m) investment in mainland China via its Australian subsidiary, BTR Nylex. The company is planning a move into the country's bottling industry, which is failing to meet national demands at a time when beer production is forecast to overtake that in Australia.

A BTR executive said the company's investment was expected to be at least A\$200m (US\$143m) during three to five years. This is a substantial direct investment in China, where foreign companies' involvement has to date been modest. Mr Alan Jackson, BTR's chief executive, has been travelling in Hong Kong and southern China during the past week and was expected yesterday to be signing completion documents in Guangzhou, southern China.

Mr Norman Ireland, the group's new chairman who has just taken over from Sir Owen Green, BTR's founder chairman, said he was unable to comment until an announcement had been made to the Hong Kong Stock Exchange. He expected a statement would be made in the UK today.

The deal would fit in with the conglomerate's strategy for Asia - BTR Nylex last week announced a A\$115m deal in Indonesia for its wholly-owned Westinghouse Brake and Signal Company subsidiary. When Sir Owen was asked by a shareholder at BTR's annual meeting last week if he was planning to expand into Asia he reportedly said: "Watch this space. If you are patient the question you ask will be answered in a very full and satisfactory way."

LSE chief executive received £348,500

By David Hefner in London

MR PETER RAWLINS, who resigned in March as chief executive of the London Stock Exchange, was paid £348,500 (£336,890) last year, 28 per cent more than his 1991-2 remuneration of £272,500, according to a draft of the exchange's 1993 annual report. It says Mr Rawlins's pay included a £75,000 performance-related bonus "against the achievement of specific objectives achieved during the year".

In the previous year, Mr Rawlins received a £60,000 performance-related bonus. Mr Rawlins resigned after the exchange was criticised in the City of London for its attempts to set up a computerised settlement system called Taurus. The project was abandoned on March 11, forcing the exchange to write off £75m.

Mr Rawlins said: "I had one of the biggest jobs in the City and I received bonuses based on meeting objectives which were set a year ago."

The draft report and accounts, which cover the year to March 31, 1993, has been sent to board members but has not yet been approved by the board. The accounts, due to be published in June, also say Mr Rawlins received payments following his loss of office. The amount is omitted from the draft, though it will be included in the final version. The accounts also say Mr Rawlins was given a £9,500 car. A member of the board's remuneration committee, which is chaired by Sir Anthony Tennant, the retiring chairman of brewing group Guinness, said "Mr Rawlins did a good job at cutting expenses and costs at the exchange... We went out of our way not to give him anything more than was necessary."

Guy de Jonquieres explains a change of recipe as markets look for defensive stocks

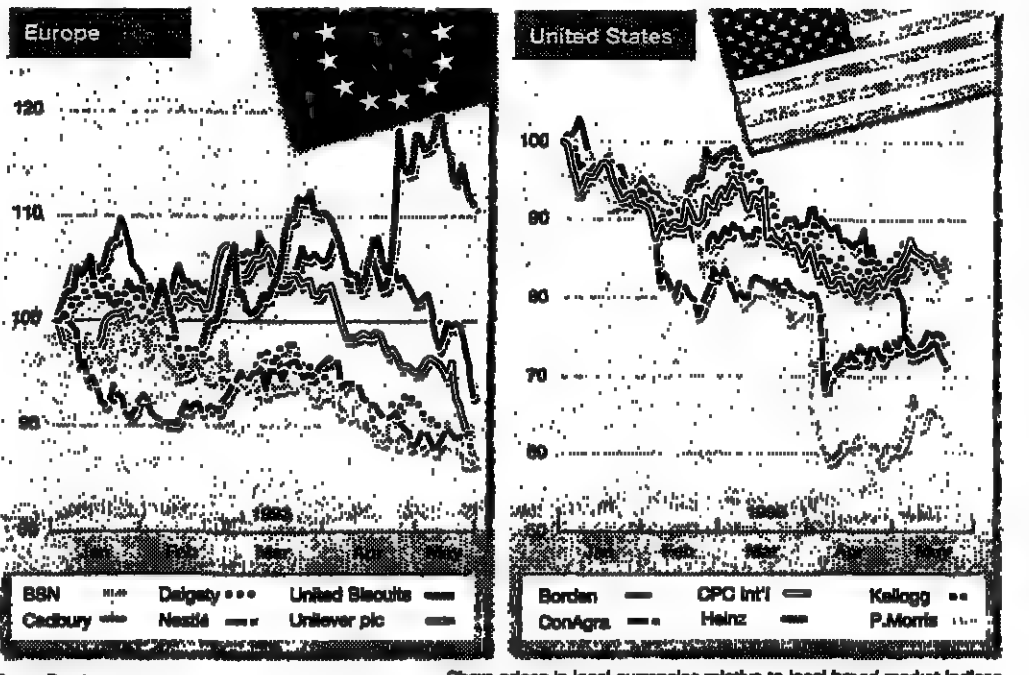
Investors turn up their noses at food shares

STOCK markets have long viewed food manufacturing as a safe haven in harsh economic times. Yet despite deepening recession in continental Europe and uncertain recoveries in the US and Britain, many branded food stocks on both sides of the Atlantic have recently sunk to low levels. Last week, prices of European industry leaders, including Cadbury Schweppes, Unilever and United Biscuits fell further after Mr Antoine Riboud, chairman of BSN, said France's biggest food company was ready to cut prices to hold its market share of difficult markets.

How difficult is clear from the 5.7 per cent drop in BSN's first-quarter sales. In the same period, Unilever's operating profits stagnated in Europe and North America, while at Nestlé, the world's largest food company, sales volumes rose only 1 per cent. This gloomy news comes less than two months after Philip Morris, the world's biggest tobacco company, rocked confidence in the power of consumer brands by slashing the US price of Marlboro cigarettes to keep market share.

There is growing evidence that the industry is gripped by fundamental forces, which suggest yet fiercer competition and further structural change. The recent worldwide fixation among consumers of all income groups with price and value is viewed by many manufacturers as a permanent trend. One reason is the widespread expectation that economic recovery will be sluggish. In earlier recessions, people thought that when it was all over, they would

Food stocks fall out of favour



Share prices in local currencies relative to local broad market indices

the standard to which branded products must compete. Both trends - also evident in slightly different forms in the US - threaten to squeeze the profit margins of branded food manufacturers long after recession is over. How can manufacturers fight back?

Recent industry developments point to four broad answers: ● Accelerated restructuring and cost-cutting to improve margins and price competitiveness. Such initiatives have recently been taken by companies including BSN, Procter & Gamble of the US and PepsiCo's Frito-Lay snacks division. ● More rigorous weeding out of weak businesses and a tighter focus on those with solid market positions. Though some companies, including Cadbury Schweppes, Unilever and United Biscuits, took action in the 1980s, others have been much slower. ● For instance, Nestlé's towering strength in chocolate and sol-

uble coffee masks mediocre performance by several other businesses in which it is a marginal player. The company recently signalled that it may start making disposals, possibly by swapping assets with competitors.

● More selective brand support. Cadbury has halved to six the number of brands at Trebor Bassett, its sugar confectionery division, to concentrate resources on the strongest. BSN may soon start axing brands which are not market leaders. ● Speedier innovation. This is the industry's current buzz-phrase, as manufacturers strive to tempt consumers and earn higher margins by developing more distinctive new products and variations of existing ones. However, the exercise has limitations. The cost of marketing new products continues to rise, and line out of ten usually fail. Even successes can be a mixed blessing. Some manufacturers admit that the more new prod-

ucts they launch, the less loyal consumers are to established brands.

Furthermore, some types of product, such as mineral water and baked beans, are inherently resistant to innovation. These trends together point to a more volatile and unpredictable future for an industry once renowned for its monolithic stability. But are they also a recipe for sustainable profits? Many experts agree the answer will depend on manufacturers' success in cutting costs. But even then, some believe shifts in consumer psychology and the retail environment will make really high returns increasingly hard to achieve. "I think things are going to get a hell of a lot tougher for brands," says Mr Davis of McKinsey. "The real survivors will be those which can prosper on margins of 5 to 10 per cent, instead of 25 to 30 per cent." Lex, Page 14

CHINA'S leaders call their approach to reform the "socialist market economy" or "socialism with Chinese characteristics". This is an attempt to give ideological grounding to the communist party's maintenance of firm political control while switching from central economic planning to the free market. However, there are a number of ways in which the rapidly growing Chinese economy really does have distinguishing characteristics from other reforming countries.

China's unique path towards the free market

First of all, there is its sheer size. The World Bank's exchange rate conversion methods give China a per capita GNP of \$370 in 1990, the latest year for which figures are available. But figures from the United Nations International Comparison Program, based on purchasing power parities, give per capita GDP as \$1,950. This would make China the world's second biggest economy, larger than Japan but well behind the US. The International Monetary Fund will shortly publish similar statistics, though it is understood to put China's per capita GDP at about \$1,300, ranking the economy among larger European countries.

The significance of such figures should not be overdone. China is still a low income country with a huge population. Professor Nicholas Lardy of the University of Washington, Seattle says that if per capita output continued to grow at four times the pace of the US, it would be nearly 30 years before the economy's size surpassed that of the US. If the productivity wears off, it would not pass the US until the middle of the 21st century. "On a per capita basis China would not catch up to the US until the end of the 22nd century," Prof Lardy writes in *International Economic Insights*. Though China's growth has many similarities with that of the four "dragons" - Hong Kong, Singapore, South Korea and Taiwan - Professor Lardy argues that China will not become a newly industrialized country in the sense of growing per capita income leading fairly rapidly to developed, high income status. However, Prof Lardy notes: "In terms of economic impact, China could soon become the dominant player in Asia."

Deng Xiaoping's open-door policies have produced export growth rates to which countries such as India at present only aspire. China is uniquely placed to have a big impact on the region - and the world - because of the scale of growth of its imports and exports in periods, such as at present, when a renewed push for reform triggers rapid economic expansion. The numbers are big. The Asian Development Bank projects China's exports and imports this year at nearly \$300bn each.

China's import growth opens new markets for exports from Asian and other countries. But its growing industrial export capacity is replacing that of its neighbours, and its exports of low-technology labour-intensive products such as toys and shoes are capturing significant shares of the world market. Moreover, its reforms are drawing large flows of funds from the region, partly due to another unique characteristic: the diaspora of well-off ethnic

Business Post plans UK float for July

By Roland Rudd in London

BUSINESS POST, the UK's biggest independent parcel and express mail company, is planning a flotation in early July, expected to capitalise it at more than £50m (\$77m).

It is the latest in a long line of public offers, which include RSC Group, the rigid plastic packaging company, and Carpetright of London, to be brought forward before the mid-July sale of the UK government's remaining BT shares.

Business Post was formed in 1971 by Mr Peter Kane, chairman, who along with family trusts, owns 85 per cent. He was joined three years later by his brother Mr Michael Kane, managing director, who owns the remaining 15 per cent. Around 25 per cent of the new share capital will be placed with institutions by Baring Brothers and UBS. The group expects to raise up to £15m, of which £3m will go to the Kane brothers. A further £12m is to be invested in three new national hubs, in Manchester, Bristol and Leeds, bringing the total number of hubs to 14. Since the year ending March 1987 sales have grown from £2.2m to £23.7m at the end of March 1992. The latest results show revenue rose to £33m at the end of March 1993 with a forecast of £44m by the end of 1994. The group made operating profits of £3.2m at the end of March 1992 and the prospectus will show that profits have grown by more than 40 per cent.

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COMPANIES AND FINANCE

Texas to make UK-designed chip

By Alan Cane

A UK-designed microprocessor chip chosen to power an innovative electronics product has also won the endorsement of a leading US electronics manufacturer.

The endorsement by Texas Instruments, the world's sixth largest semiconductor maker, means the chip will be used in cars and portable telephones and could give Europe its first significant success in microprocessors.

Texas Instruments said it had agreed to manufacture and market chips designed by Acorn RISC Machines (Arm), a Cambridge-based joint venture owned by Acorn of the UK together with Apple Computer and VLSI Technology of the US. Olivetti, the Italian office equipment supplier, has a majority stake in publicly quoted Acorn, which supplies most computers used in UK schools. The world microprocessor market is dominated by US manufacturers, notably Intel and Motorola. The Arm chip is one of only two European microprocessors, both

designed in the UK, to have made any impact on the market. The other, the transputer, developed by Immos (now part of French Italian group SGS Thomson), has been used chiefly for high-power applications including supercomputers.

The Arm chip has been selected by Apple as the heart of its "Newton" personal digital assistant to be launched later this year, an innovative computer which is said to accept handwritten input.

The chip is physically smaller than others but powerful and consumes little power. This makes it ideal for consumer electronics products such as mobile telephones or "smart" cards. Texas Instruments intends to build it into systems for controlling car engines.

The success of a new microprocessor design depends on the number of manufacturers who will licence the design. Arm has already licensed its design to GEC Plessey of the UK and Sharp of Japan in addition to VLSI Technology and Texas Instruments.

C&W considers taking stake in Telecom Eireann

By Alan Cane

CABLE and Wireless is exploring the possibility of taking a stake in Telecom Eireann, the Irish state-owned telecommunications company, as part of its strategy to strengthen its position in Europe.

C&W said yesterday that discussions were in progress at a senior level between the UK telecommunications group and the Irish government which could lead to a strategic alliance or a joint venture.

C&W was not prepared yesterday to give further details of the discussion now in progress, which it said were at an early stage. No indication was given of how large a shareholding was under consideration.

Telecom Eireann is the Republic of Ireland's most profitable public sector company.

It made a pre-tax profit of £94m (£85.5m) in the year to end-April 1992 on revenues of £782m. With 1m customers and 13,500 staff its value has been estimated at £1bn were it to be privatised.

The possibility of a UK group taking a stake in the company is likely to ruffle Irish sensibilities. Last year the prime minister Mr Albert Reynolds, then finance minister, caused a storm of protest when he indicated that part of TE could be up for sale.

TE is overmanned, is carrying a heavy debt burden and has need of technological and financial support to carry through an ambitious development programme.

C&W, which dominates the Hong Kong telecommunications market, has a presence in some 50 countries through a series of alliances with local operators.

Lazard bids for Grahams Rintoul

By Peter John

LAZARD Brothers, the merchant bank, has made an agreed bid for Grahams Rintoul & Company, the specialist investment management company.

The move, announced yesterday, marks a return to the investment trust market for Lazard. It provides Grahams Rintoul with a high-profile name and it enables Lazard, which is fifty per cent owned by Pearson - the conglomerate that also owns the Financial Times - to expand its private investor base. Mr Jimmy West, chief executive of Lazard's investment management arm, said: "Investment trusts are a growing market and an area in which we could do with some expertise."

The acquisition of Grahams Rintoul, for an undisclosed sum, brings two trusts with a combined net asset value of about £55m - the Grahams Rintoul, which concentrates on smaller companies, and the North American Gas trust which is geared for the specialist investor.

Lazard has been absent from the investment trust arena since it was faced with a hostile bid for its Bonney and Raeburn Trusts in 1988. The attack prompted the bank to turn the trusts into an open ended Guinness-based investment company called Lazard Select. Subsequently, Lazard took on Mr Jimmy West from Globe Investment Trust to head up Lazard Investors and in January this year investors became the fund manager for Crown Financial Services' £680m assets. The Rintoul acquisition is small by comparison and even smaller in the light of the £4.2bn of assets managed by Lazard Investors but it is the merchant bank's first fully-fledged return to the investment trust arena.

However, funds managed by Lazard are smaller compared with the tens of billions managed by its merchant banking rivals, Schroders, Robert Fleming, SG Warburg and Morgan Grenfell.

Pioneering a path through a legal minefield

After an 18 month wait MCC creditors have a dividend in prospect. Andrew Jack reports

MR MARK HOMAN, head of insolvency at Price Waterhouse, gestures towards the broad window-sill of his office in central London. A chart of more than 400 companies in Maxwell Communication Corporation spreads across its entire length.

After a year and a half working on the case, the joint administrators to MCC - including Mr Homan - are reaching the point at which they are able to squeeze some returns for creditors from these remnants of the late Mr Robert Maxwell's empire. Creditors have in the last few days received three documents which offer them the prospect of a first dividend towards the end of the year. They have just over a month to respond.

On December 16, 1991 the directors of MCC filed a petition for protection from creditors under Chapter 11 of the US bankruptcy code. The next day, they petitioned the English courts for administration under insolvency law.

The frenetic activity in the months before the death of Mr Maxwell, its chairman, was to take many months to untangle. It would involve not simply trying to understand a series of highly complex and poorly documented transactions from the past, but also negotiating a pioneering arrangement through two separate and fiercely independent legal jurisdictions.

"It's just mind-boggling having two courts each seeking to assert its authority over each other," says Mr Homan. "It had never been done. It could have been a recipe for disaster."

Initially the administrators considered applying to have control moved solely into the UK courts. But the US judge made it clear she had no intention of relinquishing power. Two entirely separate liquidations under the different systems would have been costly, complex and lengthy. Co-operation seemed the

The results of the negotiations are highlighted from the front cover onwards of the three documents now circulating among creditors. The proposals are called both an English "scheme of arrangement" and a US "plan of reorganisation". Mr Homan says: "We have one concept and one exit plan with two different wrappers."

The text is the culmination of many months of delicate negotiations and compromise between lawyers and accountants on both sides of the

into sterling at the start of the scheme. Under the plan, all claims will be held in which ever currency they were denominated and liquid assets already realised in MCC are currently being held in a basket of currencies weighted according to these denominations.

● Rights to interest. In the US, interest-bearing claims stop paying interest at the time of the Chapter 11 petition. In England, they would continue until the start of the scheme. The proposal will follow the US rules and stop paying on December 16 1991.

● Preferential and priority creditors. US priority and English preferential creditors - such as payroll costs - are defined differently under the two laws. Rather than cause tensions, the widest definition has been used. That gives all of these claimants first access to any distributions from realisations of MCC assets.

● Voting. In the US, creditors can vote by post and approval needs a two-thirds majority by value. In England, they must vote in person and have a three-quarters majority. Creditors will be required to vote under both arrangements, but the English ruling will hold most importance since its threshold is higher.

Mr Homan says: "We had to come up with a solution which was legal in both countries and didn't cause any creditor group

any significant disadvantage. We have done things which disadvantage most creditors a little, but don't create a separate class of disgruntled creditors. We give the advantage to a minority rather than creating a blocking majority against the proposals."

His work was also helped by the fact that MCC had no secured creditors. More than \$3bn (£1.9bn) was loaned without any security against the assets of the group. "If we had lots of different classes of creditors, it might not have been possible," Mr Homan says.

Now the onus is on creditors. If they vote in favour, and the proposals are sanctioned by the English and US courts, the scheme and plan could begin at the end of July and there may be a first distribution as soon as November.

From unsecured liabilities in the range \$3.2bn-\$3.6bn, the administrators estimate realisations of \$781m-\$1.98bn. That gives a dividend of 22-43 per cent, to which could be added a further 9 per cent in realisations from potential litigation with a value of up to \$300m.

"It's taken a lot of effort to find the common ground," says Mr Homan. "Given these circumstances we would probably do the same again. But if creditors vote this down I don't know where they will go. There would be a clash of jurisdictions which would lead to an Armageddon scenario."

Administrators had to find a solution which was legal in both the US and the UK and which did not significantly disadvantage any creditor group

only answer, creating a series of logistical and diplomatic demands. While the administrators at Price Waterhouse had day-to-day control, the US court appointed an "examiner" to scrutinise the process.

Many actions left to the discretion of administrators in the UK required court approval in the US. A series of procedures had to be drawn up specifying who had power to make decisions. One of the administrators took 25 transatlantic flights in nine months. "You live your life on an aeroplane," says Mr Homan, who himself travelled across more than once a month during 1992. "It's absolutely shattering."

Atlantic. There were five principal distinctions between Chapter 11 and administration which needed to be overcome: ● Barring of claims. Chapter 11 bars new creditors from coming forward and claiming in an insolvency after a fixed date. English insolvency has no such provision and allows new creditors to catch up with distributions from any remaining proceeds. The MCC plan leans towards the US, but allows the English courts to recognise new creditors at their discretion.

● Currency conversion. Chapter 11 converts claims into dollars at the time of filing. English law converts claims

RJB reassures investors over pension fund shortfall

By Andrew Jack

RJB MINING, the coal-mining group formed in a management buy-out from AF Budge and which is due to be floated next month, yesterday reassured employees and investors over a £1.1m shortfall funds owed to its pension fund.

The company's flotation document last week revealed that only £2m had been paid to its pension fund out of £3.1m which had been agreed for transfer in December from the pension fund of AF Budge, the construction group which collapsed last year.

The company said its directors were confident that the pension scheme would receive all outstanding payments and that the delay would not affect its flotation, due on June 7.

It said they were confident that assets controlled by the Budge pension fund, including an office block currently under offer in Leeds, would more than cover the shortfall and interest in compensation for the delay.

It said it had received more than 15,000 applications for shares. The flotation will raise up to £50m and the company will be capitalised at £103m.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Compass Group (UK)	SAS Service Partner (Scandinavia)	Catering	£71.8m	Move into continental Europe
Foster's (Australia)/Huagang Brewery (China)	Joint venture	Brewing	£55m	Foster's strategic move
Shoogang (China)	Kader Investment (Hong Kong)	Property investment	\$49m	Another HK listed company stake
Maclean Capital Corp (Canada)	Unit of Fisons (UK)	Horticulture	£39m	Fisons US disposal
Amylans (Belgium)/Aroher Daniels Midland (US)	Tesovitchi Products Razgrad (Bulgaria)	Food	£13m	First Bulgarian privatisation
Reinert (UK)	Elfin Holdings (France)	Software	£7m	Develops relationship
Leeds Group (UK)	Tim Becher/Bex Brummen (Netherlands)	Textiles	£3.5m	First non-UK buy
Allied-Lyons (UK)	Parier-Jouet/Berion & Guesler (France)	Drinks distribution	n/a	Buy from Seagram
AIOC Corp (US)	Unit of Axel Johnson (Sweden)	Metals trading	n/a	Joining world's leaders
Tele-Communications (US)	Cablevision (Mexico)	Cable TV	n/a	Taking 49% stake

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A Bondholder wishing to attend the presentation in person must produce at that time either his or her Bond(s) or a valid attendance certificate or valid attendance certificate issued by a Paying Agent relative to the Bond(s) of which he or she is the holder. In order to obtain an attendance certificate, a Bondholder should contact a Paying Agent.

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J.A. Nicholson
Secretary

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NOTICE OF ANNUAL GENERAL MEETING

Is hereby given that the annual general meeting of shareholders of Sakura Holdings S.C.A. will be held at the registered office at 33, boulevard du Prince Henri, Luxembourg on 1st June, 1993 at 11.30 a.m. (local time) with the following agenda:

1. Submission of the reports of the Manager, the Supervisory Board and Statutory Auditor.
2. Approval of accounts and allocation of results.
3. Discharge of the Manager, of the members of the Supervisory Board and of the Statutory Auditor.
4. Statutory elections.
5. Miscellaneous.

Holders of bearer shares who wish to attend the annual general meeting must deposit their shares on or before 27th May, 1993 with Sakura Bank (Luxembourg) S.A., 33, boulevard du Prince Henri, L-1724 Luxembourg, where proxy forms may be obtained.

The Manager

Telecommunications
Forward Survey
Programme

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Mobile Communications 7 September, 1993
International Telecommunications 18 October, 1993
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Market Myths and Duff Forecasts for 1993

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For the six months interest period from May 24, 1993 to November 24, 1993 the interest rate has been determined at 4.575% per annum. The amount payable on the relevant interest payment date, November 24, 1993, will be U.S. \$225.61 per U.S. \$10,000 principal amount.

By: The Chase Manhattan Bank, N.A.
Calculation Agent
May 24, 1993

MID GLAMORGAN

The FT proposes to publish this survey on June 4 1993.

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FT SURVEYS

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In accordance with the provisions of the notes, notice is hereby given that for the interest period 24 May 1993 to 24 August 1993 the notes will carry an interest rate of 5.25% per annum. Interest payable on the relevant interest payment date 24 August 1993 will amount to US\$134.17 per US\$10,000 note.

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مكاتب التحليل

COMPANIES AND FINANCE

Banesto to scrap payout and seek New York listing

By Peter Bruce in Madrid

BANESTO, the Spanish commercial bank which recently outlined plans to raise Pta130bn (\$1.04bn) in new capital, told a tumultuous shareholders' meeting at the weekend that it would not be paying a final dividend for 1992.

Mr Mario Conde, Banesto chairman, said he would follow a very conservative policy on dividends and provisions for this year, but promised shareholders the bank would establish open dividend guidelines for this year and 1994 soon.

Banesto has already declared a zero profit for the first quarter of 1993, transferring its income to provisions to cover bad loans, which have rocketed as a result of the slump in the Spanish economy in the last six months.

The bank paid Pta205 overall for 1991 and has so far paid an interim Pta95 for 1992. Analysts had been expecting a sharply lower final dividend, given Banesto's ambitious cash call, a 55 per cent fall in net profits at the parent last year and the likelihood that the Spanish recession will damage most bank income statements this year.

Mr Conde, who said Banesto would seek a listing on the New York Stock Exchange

after its capital increase, spent most of the meeting pressing the 3,000 shareholders present to support the plans. "I am asking you to sacrifice today's profits for reasonable expectations for tomorrow," he said.

Mr Conde, personally, and a group of investors led by J.P. Morgan, the US investment bank, are committed to big investments in the bank during the raising of new capital and Mr Conde was at pains to assure shareholders that the operation was not speculative.

He said J.P. Morgan's Corsair fund, which includes leading US institutions, had agreed to hold the investment it would pick up in Banesto during the capital increase for at least two years. The intention was to hold the shares for up to five years, he said. The three-stage capital increase will raise Banesto's BIS capital adequacy ratio from 9.3 per cent to 12 per cent.

Shareholders approved the capital increase and the appointment of Mr Roberto Mendoza, J.P. Morgan vice-chairman, to the Banesto board. In spite of Mr Conde's efforts to sway shareholders, it is understood that the bank and its new partners would be satisfied if they managed to raise even half the Pta130bn they have set their sights on.

Stage set for an end to E-II melodrama

Nikki Tait reports on a long-running tussle due to culminate in a courtroom

LO financiers don't die; they just land on E-II. This exotically-named company owns some familiar businesses, including Samsonite luggage, Culligan water treatment systems, and Botany 500 menswear.

But for months it has been notorious as the subject of an intense tussle between Mr Carl Icahn, the former corporate raider who until recently owned Trans World Airlines, and Mr Leon Black, once a senior banker with Drexel Burnham Lambert and now running his own investment business.

Finally, it seems, matters will come to a head in a Manhattan courtroom today.

E-II's affairs have been byzantine for years. In the late 1980s, the company comprised a clutch of businesses spun off from Beatrice Foods, and was based in Chicago. Rather cheekily, it built up a stake in American Brands and, in 1988, threatened the large Connecticut-based conglomerate with a proxy fight. In response, American Brands bid for, and acquired E-II for \$1.1bn in cash and \$1.5bn in assumed debt.

A few months later, the new owner decided to recoup its money. It sold the bulk of E-II on to Mr Meshulam Ricklis' privately-owned Rapid-Ameri-



Carl Icahn: in typical fashion, hustling to the end

can company. Mr Ricklis, husband of film actress Pia Zadora and perhaps best-known to UK investors for his role in the Guinness scandal, was one of the stable of 1980s financiers who drew on Drexel's junk bond financing capabilities. He paid around \$1.2bn for the E-II operations, and took over \$1.5bn of subordinated debt.

Peace did not descend. In late 1990, E-II's disgruntled creditors ousted Mr Ricklis, alleging he had milked the company in an effort to prop up other personal interests. A legal action ensued, with Mr Ricklis claiming

that he was within his rights.

While all this was going on, E-II caught the eye of Mr Icahn, whose successful money-making image was becoming badly tarnished by the management debacle at TWA. In early 1992, and in line with his new enthusiasm for "workout" situations, the financier bought over 31 per cent of the junior subordinated debt for an estimated \$77m.

Simultaneously, Mr Black - who, in the wake of Drexel's demise, set up his own investment firm Apollo Advisers - had come into a 27 per cent interest in the junior bonds. This was largely thanks to Apollo's acquisition (along with Credit Lyonnais) of the large junk bond portfolio which once belonged to Executive Life, a Californian life company. In contrast to Mr Icahn, however, Mr Black also acquired a 24 per cent stake in senior debt securities.

Soon the two businessmen, who sometimes play each other at tennis, had started a game of financial ping-pong - which intensified once E-II filed for Chapter 11 bankruptcy protection last summer. Essentially, their contest was over what rights the different classes of debt-holders would have under E-II's reorganisation plan - in particular, to equity in the

ongoing, "reorganised" company.

So far, Mr Black is winning. The bankruptcy court judge has allowed the company to retain the sole right to put forward a reorganisation plan and, under its current proposal, the former Drexel banker stands to gain control just over 50 per cent of E-II.

Apollo's potential stake comes from two sources. First,

claiming he would pay in cash.

On Friday, the company and creditors' committee politely declined the offer, adding that Mr Icahn was welcome to resubmit an offer after the reorganisation plan has gone through. But they also said they would modify the plan, although details will not be released today's bankruptcy court hearing.

So the final act in this long-

Carl Icahn and Leon Black, who sometimes play each other at tennis, started a game of financial ping-pong - which intensified once E-II filed for Chapter 11 bankruptcy protection last summer.

the reorganisation plan entitles junior debt holders to exchange their claims for a combination of new debt and equity. Secondly, holders of the senior debt, who are being offered a mixture of new debt and cash under the plan, also get the right to swap some of that new debt for equity. Critical to determining the amount of equity which they can get is the assumed price of E-II shares at which the swap would take place. Mr Icahn says it has been set too low.

In typical fashion, the latter has been hustling to the end. Ten days ago, he threw in a \$1.18bn bid for E-II,

running melodrama promises to be as lively as the rest of the production. The original purpose of today's hearing was to confirm the reorganisation plan, voting on which had already taken place before Mr Icahn's cash offer was ever made. Now the deal is being tweaked at the last minute - giving Mr Icahn more grounds for complaint.

Still, no one should weep too hard for either investor, whatever the outcome. Mr Icahn will probably double his money, even under the company's original plan. Mr Black, meanwhile, could do substantially better.

Italy in new move to cut costs of borrowing

By Haig Simonian in Milan

ITALY'S treasury has received the go-ahead to issue domestic debt in a variety of foreign currencies, providing an important new weapon in its battle to reduce borrowing costs and the budget deficit.

The deficit, expected to be about L155,000bn (\$104.8bn) this year, represents almost 11 per cent of gross domestic product. Although a variety of new borrowing instruments have been introduced in the 1990s to extend maturities and reduce debt servicing costs, the huge accumulated debt continues to overshadow attempts to cut spending.

The treasury will also be allowed to accept government securities in lieu of cash from investors buying shares as part of the privatisation programme. The move should help smooth the way for the government's ambitious asset sales and help overcome constraints on the domestic stock market.

No details have been given of what type of bonds will be acceptable for swapping into equity. See Capital Markets

Japan constructors hit by weak demand

By Robert Thomson in Tokyo

JAPAN'S leading construction companies forecast sharply lower profits this year, expecting that the fall in private orders would outweigh the new contracts arising from a planned expansion of public works spending.

Apart from weak orders, several companies were bruised by their own financial exposure to projects. Shimizu reported a 66.5 per cent fall in net profit after writing off losses of ¥75.5bn (\$638m) related to its involvement in developments in the UK and Australia.

The company said further write-offs would be necessary this year for US projects, and net profit was expected to be halved again to ¥10bn. Shimizu was forced to sell short-term holdings of stocks, whose book value fell from ¥46.7bn in March last year to ¥6.2bn at the close of the year.

Sales last year at Shimizu were 1.8 per cent higher at ¥2,168bn, although orders were

down 18.9 per cent. Most Japanese constructors are suffering because of weak demand for new commercial buildings and a continuing fall in corporate capital spending.

At Kajima, pre-tax profit fell 29 per cent to ¥87.9bn, which it blamed on a slowing of orders for office buildings and an increased interest burden. There is still an excess of office space in Tokyo and Osaka, where rents fell almost 20 per cent last year, making developers wary of launching projects.

A similar fall is expected this year at Taisei, which managed a 4.3 per cent increase in pre-tax profit last year to ¥101bn on a 15.3 per cent increase in sales to ¥1,980bn. Orders last year were down 30 per cent, and the company expects another 4 per cent decline this year.

However, Obayashi is expecting 6 per cent growth in pre-tax profit to ¥52bn after a 7 per cent fall to ¥49bn in the year just ended. Orders were 19 per cent lower and sales were 0.8 per cent higher at ¥1,518bn.

Pioneer tumbles 50% and sees bleak outlook

By Robert Thomson

PIONEER Electronic, the Japanese audio and video equipment maker, suffered a 50 per cent fall in pre-tax profits to ¥16.5bn (\$149m) in the year to March and forecast another 60 per cent drop this year, which it blamed on weak domestic demand for consumer electronics.

Consolidated net profits were also down 62 per cent to ¥10.8bn, partly due to a ¥4.86bn provision for losses on investment in Caroleo, the US film company, which is being restructured.

Parent sales for the year fell 8 per cent to ¥382.8bn, with a 17.7 per cent drop in domestic sales and a slim 0.4 per cent increase in exports. Audio equipment sales were 24.4 per cent lower, while those of video products slipped 12.9 per cent.

Car electronics sales advanced 10.5 per cent, and the

company hopes demand for car navigation systems will increase this year to counter a continuing fall in demand for karaoke singing systems and other audio equipment.

Pioneer recently caused controversy in Japan by suggesting that 35 managers take early retirement, prompting debate over whether the country's famed lifetime employment system was crumbling.

Hit by two years of declining consumer electronics sales in Japan, the company is still attempting to cut costs. It said capital spending and manufacturing expenses would be trimmed further this year in the face of "unpredictable world economy, uncertain currency rates, and intensifying competition".

But the outlook for the company remains bleak. For the current year, Pioneer is expecting sales of ¥368bn, down 3.9 per cent, and a 71.8 per cent plunge in net profit to ¥3bn.

Komatsu plunges 72% as sales decline to ¥870bn

By Robert Thomson

KOMATSU, the Japanese construction equipment maker, reported a 72 per cent fall to ¥3bn (\$27m) in consolidated net profits for the year to March, as an increase in public works projects failed to counter a sharp fall in private construction and in orders for construction machinery.

While many Japanese companies have been trimming their product lines, Komatsu has expanded its range of construction machinery and said demand increased for some new products, but this was "eclipsed by decreased demand for mainstay products such as regular hydraulic excavators and bulldozers".

Sales for the year fell 5.4 per cent to ¥869.9bn, with a 5.2 per cent decline in construction equipment, a 26.4 per cent slide in industrial machinery, an 8.8 per cent drop in electronics, and a 16 per cent rise in civil engineering contracts.

A recent government economic package to stimulate demand, which included a sharp increase in public works spending, is likely to increase further the demand for equipment for public projects, but private construction demand is still weakening.

This year, Komatsu expects the government's package to lead to a gradual increase in private business orders, and sees sales rising to ¥910bn and net profit to recover to ¥10bn.

Before you sign any deals abroad, make sure you've got all the facts.



When you're doing export business, it's not enough to know how someone's behaved in the past. You've got to be able to judge how they'll behave in the future. Nobody does more to uncover the intelligence you need than Trade Indemnity.

When we evaluate your potential customer, we never rely on hearsay alone. We're not even prepared to depend entirely on published data. Instead, your own personal underwriter will, when necessary, travel round the world at the shortest notice to make on-site investigations on your behalf. Searching for

any spanner in the works that could bring you nightmares in the future.

All the time and trouble we take pays off in the quality of the decisions we give you. Decisions which don't simply protect you against bad debt, but which play a vital role in your overall development strategies. For instance, we can check out the strength of the links in your distribution chain. Something which could easily make or break your export success.

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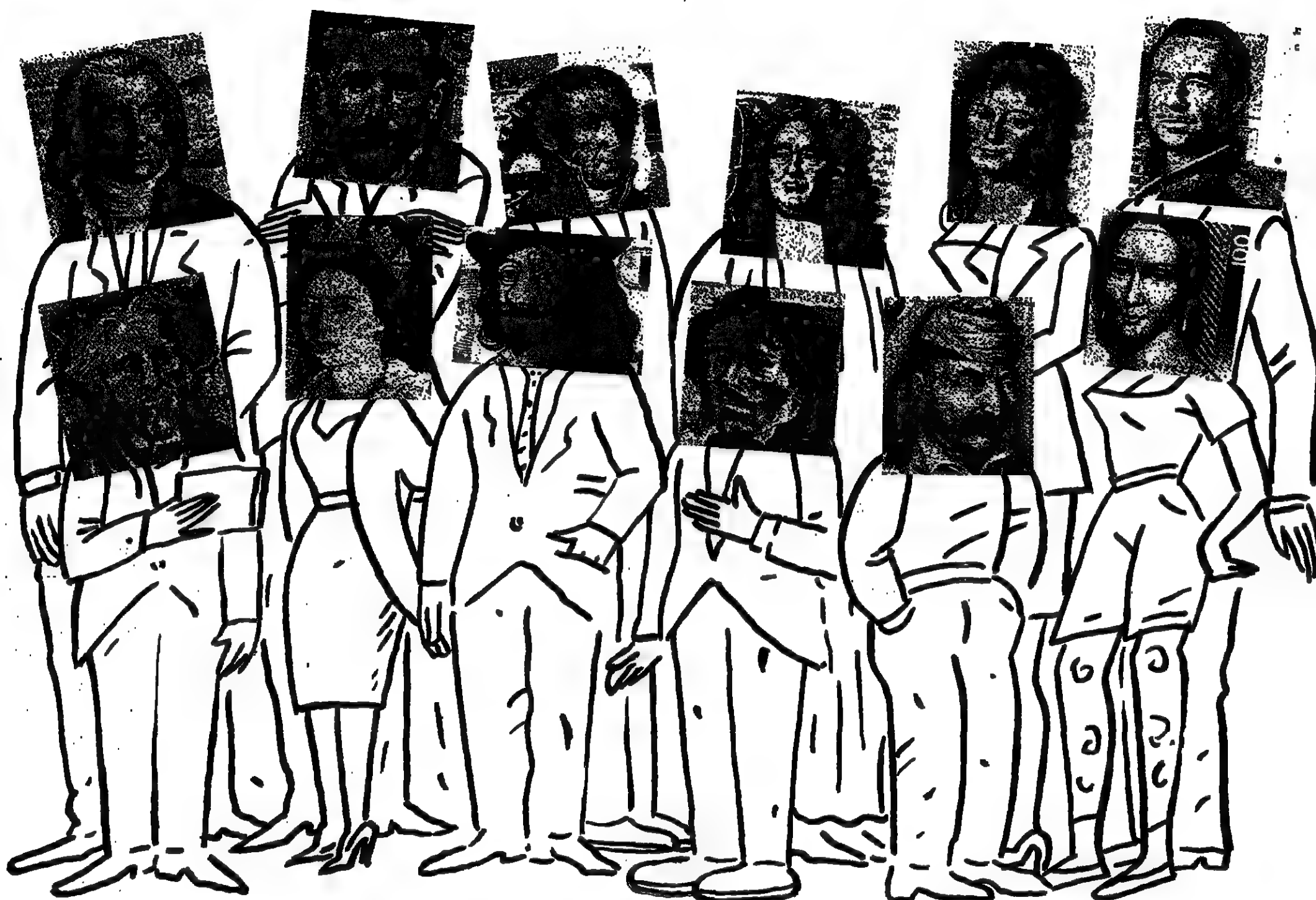
political and commercial risk cover in virtually every country in the world. And at a highly competitive price.

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Before you export anything, import us.

Can you spot the typical European?



The concept of a "typical European" – an abstract man-in-the-street sometimes used as a basis for corporate strategic planning – is rooted in a misunderstanding. Indeed, the closer you look at the New Europe, the more clearly its complexities stand out.

This is due not only to obvious historic, linguistic, cultural and economic causes. It also reflects a tendency towards greater structural differentiation.

This trend will no doubt intensify in view of the desire by six EFTA countries

to join the EC and given recent moves towards closer cooperation within the framework of a European Economic Area (EEA).

And ultimately, the success of economic reform in Central and Eastern Europe will also have a substantial impact.

Among other things, the more liberal environment in the future could lead to a merger of national economic centers into larger, regional markets, without regard to internal political boundaries.

Markets for goods and services will change, and there will be an increase in the international division of labor. And

of course, competition will heat up.

Dynamic companies wishing to consolidate or expand their positions in the New Europe will be dealing not only with one of the most interesting of the world's regions, but also with one of its most complex marketplaces.

That is why Dresdner Bank gives such high priority to helping customers succeed in the Europe of the future. True to this ongoing commitment is our specialized international banking subsidiary in Luxembourg – Europa Bank – who can help you obtain subsidies under regional, national or EC support programs.

In the final analysis, the expertise and commitment of our employees are the keys to ensuring that our customers derive maximum benefit from Dresdner Bank's worldwide network, vast experience and ability to respond quickly and flexibly to rapidly changing situations.

Although we do not underestimate the challenges posed by the New Europe, we face the future with optimism and confidence.

After all, we're based in the center of Europe. And that gives us a home team advantage.

New for 1993 – a borderless, yet highly complex marketplace.

Dresdner Bank



**AUTHORIZED
TRUST**

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High	Low	May 21	%
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200	71	Maria-Santa A	200	570

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738	833	Asahi Chemical ..	738
1,340	855	Asahi Glass ..	1,340

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730	-731	-732	-733	-734	-735	-736	-737	-738	-739	-740	-741	-742	-743	-744	-745	-746	-747	-748	-749	-750	-751	-752	-753	-754	-755	-756	-757	-758	-759	-760	-761	-762	-763	-764	-765	-766	-767	-768	-769	-770	-771	-772	-773	-774	-775	-776	-777	-778	-779	-780	-781	-782	-783	-784	-785	-786	-787	-788	-789	-790	-791	-792	-793	-794	-795	-796	-797	-798	-799	-800	-801	-802	-803	-804	-805	-806	-807	-808	-809	-810	-811	-812	-813	-814	-815	-816	-817	-818	-819	-820	-821	-822	-823	-824	-825	-826	-827	-828	-829	-830	-831	-832	-833	-834	-835	-836	-837	-838	-839	-840	-841	-842	-843	-844	-845	-846	-847	-848	-849	-850	-851	-852	-853	-854	-855	-856	-857	-858	-859	-860	-861	-862	-863	-864	-865	-866	-867	-868	-869	-870	-871	-872	-873	-874	-875	-876	-877	-878	-879	-880	-881	-882	-883	-884	-885	-886	-887	-888	-889	-890	-891	-892	-893	-894	-895	-896	-897	-898	-899	-900	-901	-902	-903	-904	-905	-906	-907	-908	-909	-910	-911	-912	-913	-914	-915	-916	-917	-918	-919	-920	-921	-922	-923	-924	-925	-926	-927	-928	-929	-930	-931	-932	-933	-934	-935	-936	-937	-938	-939	-940	-941	-942	-943	-944	-945	-946	-947	-948	-949	-950	-951	-952	-953	-954	-955	-956	-957	-958	-959	-960	-961	-962	-963	-964	-965	-966	-967	-968	-969	-970	-971	-972	-973	-974	-975	-976	-977	-978	-979	-980	-981	-982	-983	-984	-985	-986	-987	-988	-989	-990	-991	-992	-993	-994	-995	-996	-997	-998	-999	-1000
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736	490	Chiyoda Fire & M	374
3,490	2,280	Chubu Ei Paw	1,030
2,700	2,200	Chubu Ei Paw	700

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TWELVE FREE ISSUES
DELIVERED TO YOUR OFFICE

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90	2,010	House Food Ind	2,260
90	1,480	Hoya Corp	1,900

1,070	601	NBC Corp	1,020
1,220	890	NGK Insulators	1,190

541	502	Sanitomo Cement	508
519	416	Sanitomo Chemical	490
923	690	Sumitomo Corp	480

5.06	2.66	Corbin Bk Aust	5.30
1.03	0.76	Crossader	1.03
0.06	0.35	Dominion Mfg	0.67
9.41	3.00		

5.20	4.68	OUB	5.10
9.70	8.45	S'pore Air Free	9.40
10.80	8.40	Sinacorp Press	10.40

378	BY	534	1,160	886	NK Spark Plug - 1,080	1,250	783	Suniloma Elect - 1,110	3.67	3.02	Enso - 3.38	3.28	2.90	Strait Trading - 3.16
410	BY	294	824	461	NK Spring - 805	517	354	Suniloma Heavy 500	1.40	1.10	Energy Res - 1.18	3.96	3.10	Tat Lee Bank - 3.88
			360	235	NK Corp - 339	480	297	Suniloma Light 448	0.69	0.59	FBI Insurances - 0.59	7.70	6.60	UOB - 7.70
			999	529					3.25	1.60				

677	Bank of Montreal	1.00	682	300	ALR Corp	570	1,020	785	Guaranty Marine	951	1.00	1.00	2.15	
786	Invest	1,130	460	466	MSK	550	370	256	Stamco Int'l	353	2.32	1.66	Fletcher Chitngs	2.06
2,230	Invest	1,130	830	443	NTM Toys Bearing	580	1,160	631	Sandown Metal Mfg	1,120	1.46	1.11	Fluorocin	1.15
	Invest	1,130	631	311	North Gulf	540	951	690	Blair Bros		2.48	2.06		

Points supplied by Telereps

258	Ishii & Co	410	1,180	745	Nagasaki	1,030	780	565	Somerset	745	2.73	2.03	GIO Australia	2.38
1,780	Ishizawa	1,030	1,160	670	Nagasaki	1,030	780	565	Somerset	745	1.36	0.83	Gid Maa Kalgore	1.28
301	Ishihara Sanwa	448	840	444	Nagasaki	1,030	1,040	600	Somerset	745	1.76	1.45	Somerset	745

NOTES - Prices on this page are as quoted on the London exchange and are mostly last.

[illegible]

3,340	Ito Yakudo	4,380	960	710	Nihon Cement	908	818	586	Tokai Corp	2,030	2,89	1,42	Kobun Gold	2,13
370	Iwatsu Elec	583	643	364	Nihon Nosen	533	2,220	1,891	Taisei Corp	743	18.30	13.68	Land Lease	14.38
									Tesho Pharm	2,210	2.54	1.80	MM	2.88

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100-443887-100

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Journal of Management Studies, 39(6), 708–724.

**AUTHORISED
UNIT TRUSTS**

FT MANAGED FUNDS SERVICE

[illegible]

● FT Cityline Unit Trust Prices as of 1/20/99: \$1.0000, \$0.9999, \$0.9998, \$0.9997, \$0.9996, \$0.9995, \$0.9994, \$0.9993, \$0.9992, \$0.9991, \$0.9990, \$0.9989, \$0.9988, \$0.9987, \$0.9986, \$0.9985, \$0.9984, \$0.9983, \$0.9982, \$0.9981, \$0.9980, \$0.9979, \$0.9978, \$0.9977, \$0.9976, \$0.9975, \$0.9974, \$0.9973, \$0.9972, \$0.9971, \$0.9970, \$0.9969, \$0.9968, \$0.9967, \$0.9966, \$0.9965, \$0.9964, \$0.9963, \$0.9962, \$0.9961, \$0.9960, \$0.9959, \$0.9958, \$0.9957, \$0.9956, \$0.9955, \$0.9954, \$0.9953, \$0.9952, \$0.9951, \$0.9950, \$0.9949, \$0.9948, \$0.9947, \$0.9946, \$0.9945, \$0.9944, \$0.9943, \$0.9942, \$0.9941, \$0.9940, \$0.9939, \$0.9938, \$0.9937, \$0.9936, \$0.9935, \$0.9934, \$0.9933, \$0.9932, \$0.9931, \$0.9930, \$0.9929, \$0.9928, \$0.9927, \$0.9926, \$0.9925, \$0.9924, \$0.9923, \$0.9922, \$0.9921, \$0.9920, \$0.9919, \$0.9918, \$0.9917, \$0.9916, \$0.9915, \$0.9914, \$0.9913, \$0.9912, \$0.9911, \$0.9910, \$0.9909, \$0.9908, \$0.9907, \$0.9906, \$0.9905, \$0.9904, \$0.9903, \$0.9902, \$0.9901, \$0.9900, \$0.9899, \$0.9898, \$0.9897, \$0.9896, \$0.9895, \$0.9894, \$0.9893, \$0.9892, \$0.9891, \$0.9890, \$0.9889, \$0.9888, \$0.9887, \$0.9886, \$0.9885, \$0.9884, \$0.9883, \$0.9882, \$0.9881, \$0.9880, \$0.9879, \$0.9878, \$0.9877, \$0.9876, \$0.9875, \$0.9874, \$0.9873, \$0.9872, \$0.9871, \$0.9870, \$0.9869, \$0.9868, \$0.9867, \$0.9866, \$0.9865, \$0.9864, \$0.9863, \$0.9862, \$0.9861, \$0.9860, \$0.9859, \$0.9858, \$0.9857, \$0.9856, \$0.9855, \$0.9854, \$0.9853, \$0.9852, \$0.9851, \$0.9850, \$0.9849, \$0.9848, \$0.9847, \$0.9846, \$0.9845, \$0.9844, \$0.9843, \$0.9842, \$0.9841, \$0.9840, \$0.9839, \$0.9838, \$0.9837, \$0.9836, \$0.9835, \$0.9834, \$0.9833, \$0.9832, \$0.9831, \$0.9830, \$0.9829, \$0.9828, \$0.9827, \$0.9826, \$0.9825, \$0.9824, \$0.9823, \$0.9822, \$0.9821, \$0.9820, \$0.9819, \$0.9818, \$0.9817, \$0.9816, \$0.9815, \$0.9814, \$0.9813, \$0.9812, \$0.9811, \$0.9810, \$0.9809, \$0.9808, \$0.9807, \$0.9806, 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\$0.9605, \$0.9604, \$0.9603, \$0.9602, \$0.9601, \$0.9600, \$0.9599, \$0.9598, \$0.9597, \$0.9596, \$0.9595, \$0.9594, \$0.9593, \$0.9592, \$0.9591, \$0.9590, \$0.9589, \$0.9588, \$0.9587, \$0.9586, \$0.9585, \$0.9584, \$0.9583, \$0.9582, \$0.9581, \$0.9580, \$0.9579, \$0.9578, \$0.9577, \$0.9576, \$0.9575, \$0.9574, \$0.9573, \$0.9572, \$0.9571, \$0.9570, \$0.9569, \$0.9568, \$0.9567, \$0.9566, \$0.9565, \$0.9564, \$0.9563, \$0.9562, \$0.9561, \$0.9560, \$0.9559, \$0.9558, \$0.9557, \$0.9556, \$0.9555, \$0.9554, \$0.9553, \$0.9552, \$0.9551, \$0.9550, \$0.9549, \$0.9548, \$0.9547, \$0.9546, \$0.9545, \$0.9544, \$0.9543, \$0.9542, \$0.9541, \$0.9540, \$0.9539, \$0.9538, \$0.9537, \$0.9536, \$0.9535, \$0.9534, \$0.9533, \$0.9532, \$0.9531, \$0.9530, \$0.9529, \$0.9528, \$0.9527, \$0.9526, \$0.9525, \$0.9524, \$0.9523, \$0.9522, \$0.9521, \$0.9520, \$0.9519, \$0.9518, \$0.9517, \$0.9516, \$0.9515, \$0.9514, \$0.9513, \$0.9512, \$0.9511, \$0.9510, \$0.9509, \$0.9508, \$0.9507, \$0.9506, \$0.9505, \$0.9504, \$0.9503, \$0.9502, \$0.9501, \$0.9500, \$0.9499, \$0.9498, \$0.9497, \$0.9496, \$0.9495, \$0.9494, \$0.9493, \$0.9492, \$0.9

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for Pass	\$99.9711	-
Jorgan Grenfell Fund Mgrs (Ireland) L		
for American Stock	\$11.57	

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NYSE COMPOSITE PRICES

Table with multiple columns: Stock, High, Low, Open, Close, Change. Includes sub-sections for -S-, -T-, -U-, -X-Y-Z-.

NASDAQ NATIONAL MARKET

Table with multiple columns: Stock, High, Low, Open, Close, Change. Includes sub-sections for -K-, -L-, -M-, -N-, -O-, -P-, -Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-, -Y-, -Z-.

AMEX COMPOSITE PRICES

Table with multiple columns: Stock, High, Low, Open, Close, Change. Includes sub-sections for -A-, -B-, -C-, -D-, -E-, -F-, -G-, -H-, -I-, -J-, -K-, -L-, -M-, -N-, -O-, -P-, -Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-, -Y-, -Z-.

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FINANCIAL TIMES logo and text: "Perrier bottle ends with something for everyone."

Continuation of NASDAQ NATIONAL MARKET table with sub-sections for -A-, -B-, -C-, -D-, -E-, -F-, -G-, -H-, -I-, -J-, -K-, -L-, -M-, -N-, -O-, -P-, -Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-, -Y-, -Z-.

MONDAY INTERVIEW

Flinty foe of market friction

Sir Bryan Carsberg, UK director-general of fair trading, talks to Hugo Dixon

Sir Bryan Carsberg, the UK director-general of fair trading, is making himself unpopular with large swathes of British industry. This month he has referred three industries to the Monopolies and Mergers Commission on anti-competitive grounds: ice-cream companies, the home-valuation market and the record industry. The latter followed widespread complaints about compact disc prices.

As Sir Bryan approaches his first anniversary in the job, an ever-increasing number of industries is coming under investigation. Doctors, the perfume business, condom manufacturers, the ITV companies - even the Financial Times's data-base service - have been referred to the MMC. He has also started his own investigation into office-equipment leasing, and proposed controversial disclosure rules for the life assurance industry.

Sir Bryan originally made a name for himself as an enemy of monopolies during his eight years as director-general of OfTel, the telecommunications regulator, when he pitted himself against British Telecom's dominance in the newly privatised industry. His current job has given him the responsibility of investigating monopolies, cartels and other restrictive practices throughout British industry.

In doing so, Sir Bryan, once an accountancy professor at the London School of Economics, admits he is often tempted to tear up his textbooks. Adam Smith's model of many players in "perfect competition" with one another is comparatively rare, he says, while oligopoly and monopoly are common.

Sir Bryan acknowledges that it would not be sensible to try to turn oligopolistic markets into "Adam Smith-type models". But he argues that it is possible to tackle "frictions" that stop the market working as well as it might. By focusing on such frictions, he hopes to encourage more competitive markets which, in turn, he believes would benefit customers through lower prices and more choice.

Sir Bryan's most potent weapon is to refer a case to the MMC, which then reports on whether the practice in question is against the public interest. In deciding whether to make a reference, Sir Bryan has to exercise his judgment.

The FT has argued that it

This reflects the fact that there is a dispute among economists on where to draw the boundary between anti-competitive practices and acceptable business behaviour. Most of the controversial cases where Sir Bryan has acted can be sorted into three families.

First, restrictive distribution arrangements - in which a manufacturer refuses to supply certain retailers or attaches conditions to the supply of its products. Sir Bryan's concern is that these arrangements may be used to keep competing manufacturers out of the market or prices artificially high.

Such was the consideration behind the probe into the ice cream industry, where there is a widespread practice of supplying freezer cabinets free of charge to small retailers provided they are not used to stock competitors' products. Another example is last November's referral of perfume manufacturers which were refusing to supply their fragrances directly to Superdrug, a discount retailer.

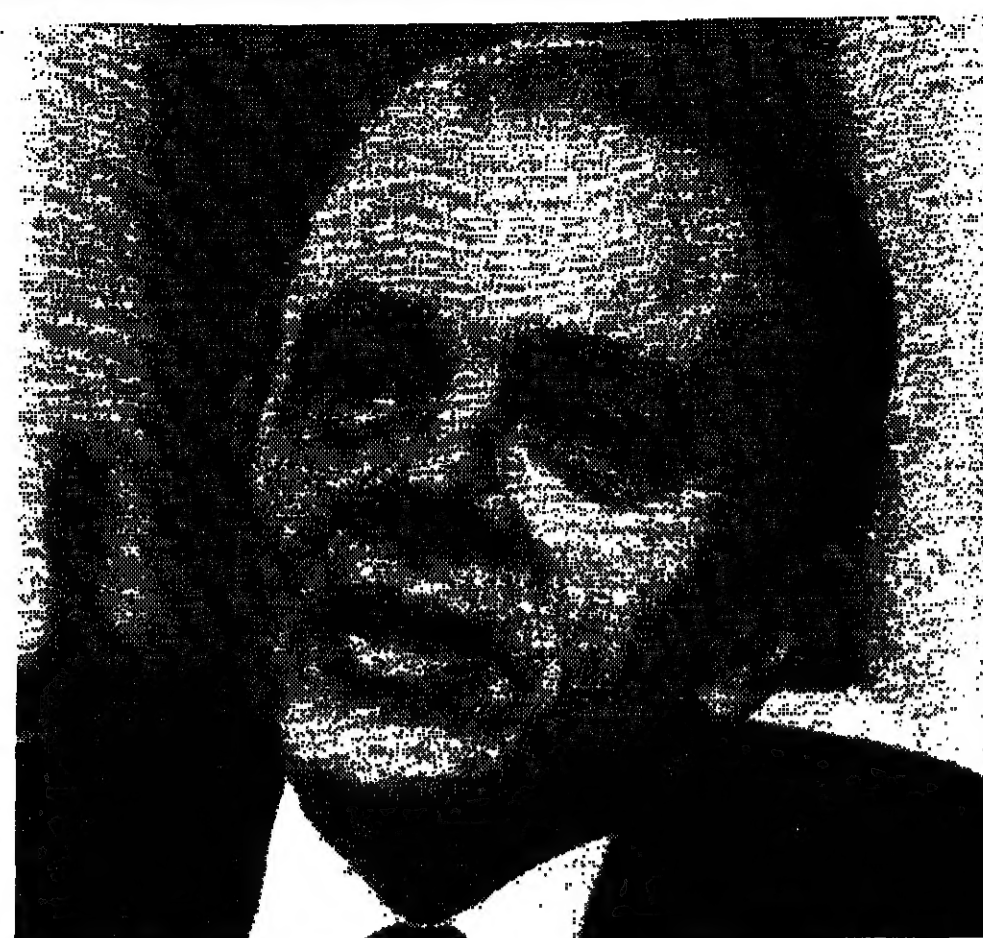
Both probes have been challenged. Wall's, the main focus of the ice cream investigation which followed complaints by rival Mars, argues that it should be allowed to reap the rewards of investing in its distribution outlets. The perfume makers meanwhile say that they must be allowed to choose retailers to ensure their products are sold in high-quality surroundings.

In the case of perfumes, Sir Bryan responds: "It was not in my mind to prevent manufacturers maintaining quality standards. It was much more a question of whether they were applied objectively. Superdrug was prepared to do the same as Boots in terms of quality."

A second type of case involves alleged exploitation of copyright. While Sir Bryan acknowledges that copyright law is necessary to "give encouragement to intellectual productive activity", he is concerned that the monopoly control it gives can be abused.

This was the thinking behind his MMC referral last month of FT Profile, which has refused to allow competitive data-bases to stock FT articles. Copyright considerations - in particular, the ban on imports of recorded music from the US, where wholesale prices are lower - also underlie the MMC's investigation of compact disc prices.

The FT has argued that it



'I don't think the government is going soft'

would be unfair to require it to make its text freely available to competitors while being denied the right to publish electronically foreign papers such as The Wall Street Journal. The music industry says that the right to ban "parallel imports" is essential to exploit intellectual property rights and hence encourage investment in new artists.

A third group of cases involves failure by marketers to provide full information about their products. Sir Bryan believes that competitive mar-

kets only work properly if consumers know what they are buying and how much a product or service really costs. Otherwise they can be hoodwinked into buying inappropriate goods.

These were the concerns which led to Sir Bryan's assault on the lack of transparency in charges and benefits in the life assurance industry. They also explain his investigation of office-equipment leasing, following allegations by customers of high-pressure sales techniques, in particular by photocopier suppliers.

In such cases, the question is whether Sir Bryan is guilty of "nannyism" - consumers, if he tries to protect people from their follies, will they ever learn to be shrewd buyers? Shouldn't the principle of *caveat emptor* apply?

Sir Bryan admits there is "an

element of nannyism" but argues that he has to make a judgment about the "practical balance of economic power" in cases such as these.

"It would be nice to think that people came out of school with a working knowledge of life assurance," he says. But given that they do not, "by the time they have learned, it is already too late". He also argues that even fairly shrewd people can be hoodwinked: "One hears of leading competition lawyers who got caught on photocopier leasing."

Sir Bryan's vigorous approach to rooting out alleged anti-competitive practices has provoked disappointment and anger among companies being investigated. They argue that he is taking an excessively interventionist line. While there is no sign that he lacks the courage to carry through his investigations in the face of such criticism, the efficacy of his actions will largely depend on how other bodies react.

It is too early to say whether the MMC will back his views on what constitutes anti-competitive behaviour. The commission typically takes nine months to complete its investigations and has yet to report on any of Sir Bryan's monopoly references. On mergers, it has made two reports - concluding in one case that the merger was against the public interest and in the other that it was not.

There is also a question of how much support he will receive from ministers, in particular from Mr Michael Heseltine, the trade and industry secretary. So far, the signs are not very encouraging. In February, Mr Heseltine twice overruled Sir Bryan's advice that proposed mergers should be referred to the MMC: the merger of GEC's and Philips Electronics' infra-red defence businesses, and Airtours' bid for rival holiday company Owners Abroad.

Mr Heseltine also decided

Clouds over the Clinton plan



MICHAEL PROWSE
ON AMERICA

President Bill Clinton's economic plan got off to a wonderful start. At last, it was said, somebody was facing up to the US's long-term economic problems: somebody was treating the electorate like adults. Since those heady days in February, support has melted away. Today, Mr Clinton is facing vociferous congressional opposition, not just from die-hard conservative Republicans but from moderate Democrats such as Senator David Boren of Oklahoma, the kind of person whose support ought to be automatic.

"If this president were to get his wish of passing this budget... it would be the surest formula for the destruction of the Democratic party and any chance he has for reelection," Mr Boren told the Washington Post last week. He had just unveiled an alternative budget plan co-sponsored by two leading Republican senators. As Mr Boren represents an energy-producing state and is proposing, among other changes, the abolition of the planned energy tax, the White House tried to dismiss his challenge as mere special-interest pleading.

But the heart of his objection is that the Clinton deficit-reduction plan relies too heavily on tax increases and not enough on spending restraint. Spending "cuts" represent only about a third of the net deficit reduction proposed by the White House. Mr Boren is demanding that each dollar in new taxes should instead be accompanied by at least \$2 in spending cuts, thus effectively reversing Mr Clinton's priorities. He would more than make up the revenue loss in scrapping the energy levy by imposing tougher curbs on "entitlement" spending, such as federal health programmes.

The Boren amendment is not reckoned to have any chance of passing in the Senate. But the doubts he raises about the balance between new taxes and spending cuts are shared by many moderate and conservative Democrats, and by nearly all Republicans. Even if the beleaguered Clinton plan sur-

vives a vote by the full House of Representatives next week, it will face an uphill battle in the Senate. Since Democrats have only a 11-to-9 majority on the crucial Senate finance committee, a single defection by Mr Boren or one of his colleagues could threaten the legislation.

Polls suggest that Americans accept the need for the modest deficit reduction proposed in the Clinton plan, which would stabilise the structural budget deficit (the deficit adjusted for the economic cycle) at about 3 per cent of gross domestic product. But with the economic recovery still perceived as fragile, there is great unhappiness about the reliance placed on new taxes.

The energy tax is unpopular but economically defensible. But it seems perverse to be calling for a steep increase in the top marginal income tax rate from 31 per cent to more than 40 per cent (before allowing for state taxes of 6 to 9 per cent). Businessmen are also worried about a higher corporate tax rate and the prospect of new payroll taxes to pay for what promises to be an expensive reform of the healthcare system.

Mr Clinton's plan is meeting stiff opposition because there is nothing in it that seems likely to stimulate growth or entrepreneurship immediately. The White House says this is the fault of Senate Republicans, who killed the \$18bn short-term fiscal stimulus planned for this year, and Democrats such as Mr Dan Rostenkowski, chairman of the House ways and means committee, who axed the proposed

new investment tax credits. But neither of these proposals was sound. It made no sense to begin a programme of deficit reduction by raising the deficit. Investment tax credits, meanwhile, merely represented the reintroduction of fiscal loopholes that Mr Rostenkowski's committee had sweated blood to eliminate in 1986.

What Mr Clinton needed was a deficit reduction programme that preserved or, better still, enhanced existing incentives for work, saving and investment. This was perfectly possible. Mr Clinton did not need to raise marginal tax rates on anybody; he could have raised huge sums by restricting concessions such as mortgage interest relief (available on loans up to \$1m) and by taxing fringe benefits including generous corporate health plans.

If he still needed revenue he could have proposed a broad value-added tax at a rate of under 10 per cent. At minimal cost, he could have bought many Republican votes by indexing the capital gains tax for inflation. The present 28 per cent rate on nominal gains is high by international standards and may be impeding entrepreneurial activity.

Why were none of these economically rational options considered? The answer is simple. Mr Clinton believes higher public investment is necessary to raise productivity growth. And he wants to reverse what he regards as the unfair tax policies of the Reagan/Bush years. The plan has to be too heavy with new taxes because "cuts" in old spending programmes are largely offset by new spending in areas such as education, infrastructure and technology. It has to raise top rates on the rich so as to be seen as fair.

In reality, the share of federal taxes paid by the wealthy rose in the 1980s while US manufacturing productivity growth outpaced that of rivals such as Japan and Germany. In a parliamentary democracy, Mr Clinton's plan would be invulnerable; that it is not is part of the strength of the US system.

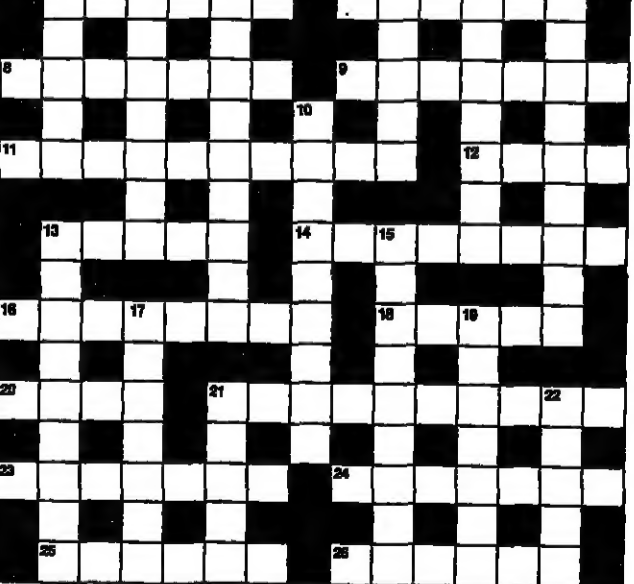
Of broking and jobbing the Peikan's fond.
See how sweetly he puts your word onto bond.

Seikan

JOTTER PAD

CROSSWORD

No. 8,158 Set by DANTE



- ACROSS**
- Crikey! Bunter left hardly any! (6)
 - Worker goes in taxi from Cambridge (6)
 - Mockery makes Bohemian girl weep (7)
 - Wild blow leads to dispute with non-intellectual (7)
 - I've acted on new indication of a deal (6,4)
 - Trees in Wilhelmstrasse (4)
 - Brought low since getting into debt (5)
 - The state of fried chickens? (8)
 - One who talks one round to see a musical drama (6)
 - Makers of song sheets, we hear (5)
 - Plan to put money in the kitty (4)
 - Needed to retaliate if your opponent gets the first blow? (6,4)
 - Turn, or intend to turn, Communist (7)
 - Exciting feeling (7)
 - Inventory returns, showing the Rugby match has ended (2,4)
 - There's a change in the Old Testament (6)
- DOWN**
- Criticised about money issue (5)
 - Makes one of use if in trouble (7)
 - He serves little Arthur during drinking bout (9)
 - A sound opener to admire (5)
 - Representation of notable authors (7)
 - He hopes to gain from his betters (9)
 - Labour to put constraint on those available for employment (9)
 - Sort of ruler and a clergyman for several parishes (5,4)
 - Popular callings, perhaps (9)
 - Eccentric aunt upset about disease (7)
 - Looking out for a situation for the hands? (1,5)
 - The rate at which oceans rise (5)
 - In no circumstances is king to be taken up to flat (5)

Prices for electricity delivered to the consumer at the electricity point of use, in pence per kWh, for the period ending 23 May 1993			
Domestic rate	Domestic rate	Domestic rate	Domestic rate
1.7	1.7	1.7	1.7
2.0	2.0	2.0	2.0
2.3	2.3	2.3	2.3
2.6	2.6	2.6	2.6
2.9	2.9	2.9	2.9
3.2	3.2	3.2	3.2
3.5	3.5	3.5	3.5
3.8	3.8	3.8	3.8
4.1	4.1	4.1	4.1
4.4	4.4	4.4	4.4
4.7	4.7	4.7	4.7
5.0	5.0	5.0	5.0
5.3	5.3	5.3	5.3
5.6	5.6	5.6	5.6
5.9	5.9	5.9	5.9
6.2	6.2	6.2	6.2
6.5	6.5	6.5	6.5
6.8	6.8	6.8	6.8
7.1	7.1	7.1	7.1
7.4	7.4	7.4	7.4
7.7	7.7	7.7	7.7
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8.3	8.3	8.3	8.3
8.6	8.6	8.6	8.6
8.9	8.9	8.9	8.9
9.2	9.2	9.2	9.2
9.5	9.5	9.5	9.5
9.8	9.8	9.8	9.8
10.1	10.1	10.1	10.1
10.4	10.4	10.4	10.4
10.7	10.7	10.7	10.7
11.0	11.0	11.0	11.0
11.3	11.3	11.3	11.3
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15.8	15.8	15.8	15.8
16.1	16.1	16.1	16.1
16.4	16.4	16.4	16.4
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31.4	31.4	31.4	31.4
31.7	31.7	31.7	31.7
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38.6	38.6	38.6	38.6
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42.5	42.5	42.5	42.5
42.8	42.8	42.8	42.8
43.1	43.1	43.1	43.1
43.4	43.4	43.4	43.4
43.7	43.7	43.7	43.7
44.0	44.0	44.0	44.0
44.3	44.3	44.3	44.3
44.6	44.6	44.6	44.6
44.9	44.9	44.9	44.9
45.2	45.2	45.2	45.2
45.5	45.5	45.5	45.5
45.8	45.8	45.8	45.8
46.1	46.1	46.1	46.1
46.4	46.4	46.4	46.4
46.7	46.7	46.7	46.7
47.0	47.0	47.0	47.0
47.3	47.3	47.3	47.3
47.6	47.6	47.6	47.6
47.9	47.9	47.9	47.9
48.2	48.2	48.2	48.2
48.5	48.5	48.5	48.5
48.8	48.8	48.8	48.8
49.1	49.1	49.1	49.1
49.4	49.4	49.4	49.4
49.7	49.7	49.7	49.7
50.0	50.0	50.0	50.0

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